

SUBMISSION 18



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

SUBMISSION TO
House of Representatives Standing Committee on
Economics' Inquiry into:
Raising the level of productivity growth in the
Australian Economy

21 August 2009

PREFACE

Australian Food and Grocery Council (AFGC) is the peak national organisation representing Australia's food, drink and grocery manufacturing industry.

The 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 list of members is included as Appendix A). AFGC represents the nation's largest manufacturing sector. By any measure our members are substantial contributors to the economic and social welfare of all Australians. Effectively, the products of AFGC's member companies reach every Australian household.

The industry has annual sales and service income in excess of \$70 billion and employs more than 200 000 people – almost one in five of the nation's manufacturing workforce. Of all Australians working in the industry, half are based in rural and regional Australia, and the food manufacturing sector sources more than 90 per cent of its ingredients from Australian agriculture.

AFGC's agenda for business growth centres on public and industry policy for a socioeconomic environment conducive to international competitiveness, investment, innovation, employment growth and profitability.

AFGC's mandate in representing member companies is to ensure a cohesive and credible voice for the industry, to advance policies and manage issues relevant to the industry enabling member companies to grow their businesses in a socially responsible manner.

The Council advocates business matters, public policy and consumer-related issues on behalf of a dynamic and rapidly changing industry operating in an increasing globalised economy. As global economic and trade developments continue to test the competitiveness of Australian industry, transnational businesses are under increasing pressure to justify Australia as a strategic location for corporate production, irrespective of whether they are Australian or foreign owned. In an increasingly globalised economy, the ability of companies to internationalise their operations is as significant as their ability to trade globally.

Increased trade, rationalisation and consolidation of businesses, increased concentration of ownership among both manufacturers and retailers, intensified competition and dynamic, increasingly complex and demanding consumers are features of the industry across the globe. Moreover, the growing global middle class of consumers is more sophisticated and discerning, driving innovation and differentiation of products and services.

AFGC is working with governments in taking a proactive approach to public policy to enable businesses to tackle the threats and grasp the dual opportunities of globalisation and changing consumer demands.

EXECUTIVE SUMMARY

Productivity refers to the efficiency with which the Australian economy operates via factors such as minimum, effective regulation, a skilled workforce, infrastructure, innovation and research and development. Due to the lack of investment the Government has made in these areas which affect Australian food and grocery industry, manufacturers have been spending heavily to ensure we are internationally recognised for producing clean, green and safe products.

Australia's food and grocery industry is vitally important to the nation's future prosperity as it is a major contributor to the wealth of the economy. In 2005-06 the food and beverage manufacturing sector (40% of which is situated in rural and regional Australia) turned over \$71.4 billion, contributing 2.5 per cent to Australia's gross domestic product. As a result, Government has a responsibility to ensure a platform by which the industry can remain profitable.

The industry's facts and figures demonstrate the sector's scale. Food and grocery manufacturing is:

- **Australia's largest manufacturing sector** accounting for 21 per cent of the total;
- **Australia's largest manufacturing employer** with a workforce of **over 250,000**;
- **a major employer in rural and regional** areas with a workforce of around 125,000;
- **a major exporter** with more than \$17 billion of value-added exports in 2007-2008 products;
- **a significant investor with \$3 billion** on capital expenditure in 2007-08
- **a leading innovator** \$331 million a year on R&D with 4,100 product launches in 2008 alone

To increase productivity of the Australian economy, Government needs to assist industry in remaining profitable by minimising ineffective legislation and streamlining policies across the various governments (both at a federal and state level). Government policies must be well co-ordinated and aligned across the range of portfolios which directly interface with the food and grocery sector – including trade, industry, agriculture, education, innovation, the environment and health.

Additionally, industry is no longer enjoying inexpensive natural resources and we are now faced with new challenges such as the rising costs of water and energy. As global drying continues and water prices rise, industry and government need to adopt a wider policy perspective and better embrace water re-use and recycling options. In addition to this, the efficient and affordable supply of energy from existing and renewable sources will remain a key component of the industries success.

AFGC has long advocated the need for food regulation. In particular, uniform, national enforcement of food labelling and composition standards would remove substantial cost

imposts on industry and government. AFGC recommends a transfer of enforcement responsibilities in this area from the States and Territories to the Commonwealth.

AFGC considers waste management to be another area where greater national coordination is required. The industry and Government have gone a long way to addressing this through the National Packaging Covenant, the current iteration of which runs until 2010. AFGC strongly supports its continuation and calls upon Government to continue its support for the program.

The Australian food and grocery manufacturing industry has a market opportunity to be seen internationally as green, clean and safe; setting ourselves apart from international competitors. AFGC's aim is to promote a growing, profitable and sustainable industry – economically, socially and environmentally – providing a secure source of safe food and groceries to Australians and the export market. AFGC focuses on an industry that educates and empowers consumers, within a best practice regulatory framework that demands the highest standards.

1 RECOMMENDATIONS

AFGC recommends the following factors will assist industry in increasing business productivity:

A National Food Policy is required

Australian food and grocery manufacturing industry needs a national food and grocery policy to protect and promote its interests thereby securing growth and competitiveness for the sector into the future.

- develop a comprehensive and coordinated *National Food and Grocery Policy* charged with securing a sustainable Australian food and grocery production and manufacturing industry responsive to community needs and the expectations of consumers in Australia and overseas;
- instruct the Department of Prime Minister and Cabinet to be the lead (but not sole) agency with the responsibility for developing the *Policy*, with other departments to contributing to development and implementation as appropriate; and
- make funds available within the Commonwealth budget to support these activities within the 2009-2010 fiscal year initially; with provisions for ongoing support in forward estimates.

Ensure resilience from climate change

- AFGC seeks a trade-neutral approach to reducing carbon emissions and investing in Australia's renewable energy sector.
- AFGC looks for investment in research and development that can help the food industry mitigate the impacts of climate change on production, including renewable energy and water reuse technology.

Ensure resilience from the global financial crisis

- AFGC recommends that the Government note the continuing resilience of the food and grocery manufacturing sector during the current global financial and consider its contribution to the relatively strong economic position of the Australian economy.

Investment in research and development

- Whilst AFGC acknowledges that the food industry can access other innovation support schemes offered by Commonwealth, State and Territory Governments; relative to other manufacturing industries (e.g. the automotive industry, pharmaceutical industry, textile and footwear) government assistance for the food, beverages and grocery industry is low. Although industry is not seeking additional assistance in this area, AFGC asks that the Government ensures a business environment where industry can remain competitive and has the capacity to adopt new technologies.

A more efficient and effective supply chain

- AFGC recommends Government investigate and report opportunities to facilitate more cost effective and less resource intensive methods of freight distribution of agricultural product within rural Australia, and how these may then be best linked to major urban transport hubs and centres of production.

Cost Recovery through national standards

- AFGC recommends that options for cost recovery from the food industry be considered by moving responsibility for enforcement of the Australia New Zealand Food Standards Code food labelling and composition standards to a new national enforcement agency.

Greater efficiencies in water use

- AFGC recommends a strategic response to water use (and reuse) in the future, which factors in the needs of its major manufacturing industries.

Clearer waste management strategy

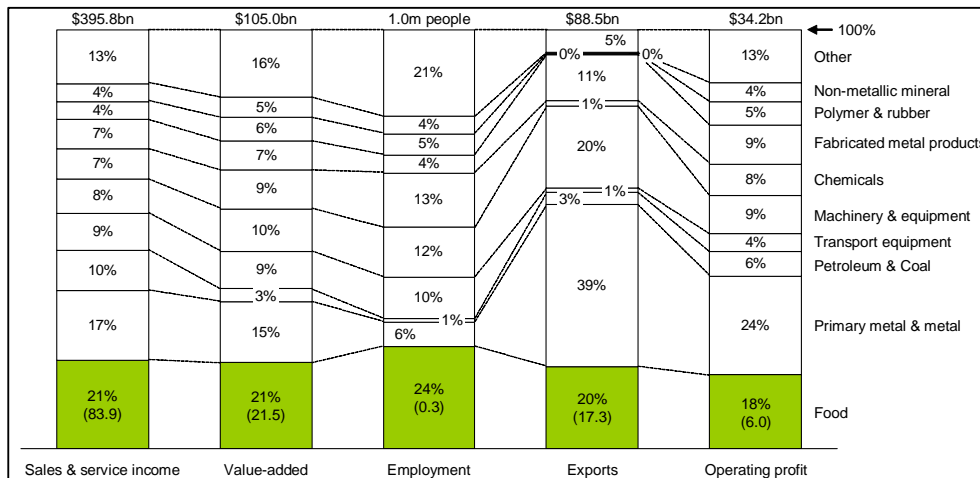
- That the Government acknowledge the success of the National Packaging Covenant and support the continuation of a partnership approach to improve investment and innovation in waste management practices.

2 INTRODUCTION

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to provide input into the House of Representatives Standing Committee on Economics' Inquiry into raising the level of productivity growth in the Australian Economy.

By most metrics, food is the most important segment of the manufacturing sector. It generates the most income, value-add and above all jobs (Figure 1).

Figure 1 - Australian Manufacturing industry, Key Metrics 2007-08



Source: ABS

Manufacturing Industry (Cat 8221.0) and International Trade (Cat 5368.0)

The key considerations facing the productivity of the food and grocery manufacturing industry include:

- *Global financial crisis*

Tightening of credit markets may have resulted in some companies finding it more difficult secure money for investment in innovation and new technologies, which risks the standard by which Australian manufacturing enjoys its current levels of productivity. Additionally, some multinational companies may require greater returns from Australian operations to offset revenue shortfalls in other markets – this may impact on reinvestment in Australian manufacturing facilities.

- *Water security*

Similar to the issues around climate change this has created two sources of uncertainty for the food and grocery manufacturing industry – the real impacts of water shortages and the policy impact of government interventions. In the longer term, both may affect how industry uses water, and this may have significant commercial consequences.

- *Retail Consolidation*

Consolidation of the retail sector remains an issue for the food and grocery manufacturing sector. Although the recent ACCC inquiry into grocery pricing found no evidence of

market power abuse, concentration in the retail sector allows retailers to put sustained pressure on suppliers (i.e. manufacturers) margins. AFGC does not seek government intervention in this; on the contrary there is evidence that the market itself will correct this concentration through the entry and expansion of new players into the retail sector. It should be noted, however, that pressure on suppliers from downstream pricing practices elevates the importance of minimising other factors affecting productivity (e.g. input costs, regulatory burden etc.).

- *Regulation*

Last year the Productivity Commission¹ recommended a number of reforms to streamline the national food regulatory system having once again identified that there were significant problems in the efficiency of the development and promulgation of food standards imposing unnecessary cost on industry.

- *Business Input Costs.*

Volatility in business input cost have characterised the last two years with great fluctuations in raw material and energy costs. Whilst the onset of the global financial crisis has caused a reversal in previous highs for many commodities (wheat, milk powder etc.) and energy costs have declined or at least stabilised in the short term (i.e. price of oil), the long term trend is for increases in both. The increases in input costs affect productivity and put pressure on the business case for maintaining a food and grocery manufacturing industry in Australia.

- *Increased energy prices*

The Government's policy response to climate change; the Carbon Pollution Reduction Scheme and Renewable Energy Target, has failed to take into account trade exposed industries such as the food and grocery manufacturing sector. The current model does not adequately recognise the impact of an inequitable increase in costs and the consequences for the global competitiveness of the sector.

- *The uncertainties of climate change*

Modelling has predicted increased likelihood of reduced water availability, greater temperature extremes and extreme weather events. If the predictions come to pass, there may be substantial impacts on production of key food crops, with consequences for food and feed production.

- *Trade barriers*

The food and grocery manufacturing sector is a major contributor to Australia's international trade generating \$17 billion in export revenues annually, or approximately 20% of Australia's export earnings from manufactured goods. AFGC requests Government consider the contribution the industry makes on the economy when devising policies that affect the international competitiveness of the food and grocery industry.

¹ Productivity Commission Research Report: Annual Review of Regulatory Burden on Business, Manufacturing and Distributive Trades. August 2008.

- *Technology innovation/research and development*

AFGC considers that given the size of the food and grocery sector, and the contribution it makes to the economy, it is incumbent on the Government to create the best possible business environment for the sector to secure its on-going productivity thus benefiting Australian consumers, the workforce and the economy in general.

3 SPECIFIC COMMENTS

3.1 Improving the supply chain

AFGC believes greatest productivity in manufacturing can be made through a collaborative approach to the supply chain; using innovative technology and looking improving business efficiency. The industry recognises the importance of a collaborative approach across the extended supply chain, with manufacturers and retailers taking a leadership role to educate and influence upstream and downstream supply chain constituents.

AFGC encourages Government to investigate and report opportunities to facilitate more cost effective and less resource intensive methods of freight distribution of agricultural product within rural Australia, and how these may then be best linked to major urban transport hubs and centres of production. This might include review of:

- Rail infrastructure / network opportunities
- Extended road network for heavy vehicles such as road trains

Funding initiatives that assist business partners to identify and engage in transport efficiency collaboration would be another useful step forward. This would include initiatives aimed at facilitating information sharing regarding opportunities such as “return empty” freight legs which could be utilised by other parties in the interest of cost and environmental efficiency.

AFGC encourages Government to fund detailed and extensive studies into the fuel consumption of various types and sizes of vehicles, including consumption rates for variables such as congested urban running versus highway running, the impact of temperature control (eg maintaining a “frozen or chilled environment) on fuel consumption and the impact of weight loaded on fuel consumption. The intent would be to provide a suite of sufficiently detailed information that industry could feel comfortable to use for modelling environmental impacts of various transport options and potentially to become an industry standard for consumption (and therefore emissions) modelling.

Recommendation

AFGC recommends Government investigate and report opportunities to facilitate more cost effective and less resource intensive methods of freight distribution of agricultural product within rural Australia, and how these may then be best linked to major urban transport hubs and centres of production.

3.2 Australia's support for its largest manufacturing sector is low

Innovation in technology, and research and development are tools with which Australian industry can increase in productivity. Although the costs are initially an issue, investment in these areas can create a more fruitful business environment in the long term. The importance of adapting to the challenges we face through innovation is currently at a premium as the food industry faces new changes such as climate change, which affects energy and water prices, along with commodity production.

The food and grocery manufacturing sector currently accounts for around 9% of all manufacturing investment in research and development and spent \$0.3 billion in 2006-07². It sees technology innovation as the key to remaining competitive and efficient across the supply-chain.

The food and grocery manufacturing sector in Australia receives very little sector specific collaborative assistance for these investments. The sole example is the four-year, \$35 million *Regional Food Producers Innovation and Productivity Program* announced in late 2008, which aims to boost the productivity and competitiveness of Australia's regional food and seafood industries through innovation and technology improvements³. Despite the lack of specific investment in the industry capacity to adopt new technology by government, consumers still enjoy high quality products at affordable prices further demonstrating the extent to which the industry has achieved operating efficiencies.

Whilst AFGC acknowledges that the food industry companies can access existing innovation support schemes offered by Commonwealth and State governments, it is the case that relative to other manufacturing industries (e.g. the automotive industry, pharmaceutical industry, textile and footwear) specific government assistance for the food, beverages and grocery industry is low.

Given the size of the food and grocery sector, and the contribution it makes to the Australian economy, AFGC would encourage the Committee to ensure Australian industry has the capacity to adopt new energy efficient technologies. This will include streamlining of regulation in relation to carbon emissions and renewable energy targets, and a coordinated and consistent approach across the states that mirrors Commonwealth approaches on the issue. In addition to that, the provision of collaborative and flexible investment strategies that take into account the challenges of remaining globally competitive would be beneficial for the food and grocery sector.

3.3 Cost recovery through national standards

Given the national coverage of food composition and food labelling requirements, through the Australia New Zealand Food Standards Code (FSC), AFGC has argued that national enforcement through a Commonwealth agency is appropriate⁴. AFGC considers that significant savings to industry and government can be found if food regulation enforcement was consolidated as a national Commonwealth responsibility.

² ABS (Australian Yearbook, Manufacturing Industry Cat 8221.0), GNPD, company websites. Note, the 07-08 Yearbook has not yet been released.

³ www.daff.gov.au

⁴ AFGC also considers that food safety regulation enforcement should remain the responsibility of local jurisdictions due to the local knowledge required in liaising with industry on food safety issues.

The Commonwealth, through the Australian Quarantine Inspection Service (AQIS) is already responsible for enforcing the provisions of the FSC for imported food products. The recently released *Review of Australia's Quarantine and Biosecurity Arrangements – Preliminary Commonwealth Government Response* foreshadows formation of a new Authority bringing together the major functions of Biosecurity Australia (BA), AQIS and parts of the Department of Agriculture, Fisheries and Forestry (DAFF). AFGC considers that this new Authority would have the necessary technical expertise to enforce domestic food labelling and composition regulations.

Recommendation

- **the new Authority responsible for quarantine, biosecurity and product integrity foreshadowed in the Commonwealth Government's response to the *Independent Review of Australia's Quarantine and Biosecurity Arrangements: Report to the Australian Government* take responsibility for enforcement of food labelling and composition standards of the Australia New Zealand Food Standards Code; and**
- **the Government make funds available within the Commonwealth budget to support these activities within the 2009-2010 fiscal year initially; with provisions for ongoing support in forward estimates.**

3.4 Water – a long term strategic response is required

Traditionally industry enjoyed inexpensive water supplies but with water stress currently at a premium, water costs are likely to rise. This poses a critical issue for productivity of Australian food and grocery industry – both at the farm and manufacturing level - which is heavily reliant on water for production.

The Australian Food and Grocery Council (AFGC), Woolworths and the Department of Agriculture Fishery and Forestry (DAFF) co-sponsored CSIRO to undertake research reviewing the status and opportunities for water recycling by Australian food processors, manufacturers and allied grocery products industries. The report displayed that the low price of fresh water against the cost of water treatment technologies is the greatest impediment to implementation of reuse strategies by industry. The other prominent concern amongst industry respondents was the possible risk – either real or perceived – to the reputation, quality and safety of food products.

Government needs to support research and process development, leading to more efficient water use. To further enhance water efficiency in the food and grocery industry, improved taxation provisions for depreciation of water efficiency and reuse investments could be beneficial. A collaborative recognition scheme for sectors or companies which achieve water reuse or recycling targets would be another positive step forward.

Efficient use of water in a water-strapped economy becomes a pre-competitive issue and one which Governments have leadership role. There is a strong case for Australia to develop a strategic response to water use in the future, which factors in the needs of its major manufacturing industries.

Recommendation

That the Government considers water use a pre-competitive issue for the food and grocery manufacturing sector and consider development of water strategy for the food and grocery industry.

3.5 Waste management

Waste is a luxury Australia can no longer afford due to the increased value placed on our resources, and Australia needs a cross-sectoral approach to waste management to deliver efficient and effective outcomes. The National Packaging Covenant is a successful partnership model which underpins the productivity of the food and grocery industry. It focuses on cooperation between industry, government and the community, as well as promotes investment in a skilled work force and innovative technology to achieve its aims of efficient resource use.

Co-regulatory arrangements, such as the National Packaging Covenant, have delivered cost effective outcomes to the Australian community, with packaging recycling rates increasing from 40% to nearly 60% over the last 4 years. The benefits and costs of any proposed waste management, or reduction, regulations should be assessed in accordance with COAG principles and via the regulatory impact statement process.

There are also approximately 50 projects that have been funded under the Covenant, which aim to improve education, awareness and knowledge, divert additional tonnes of packaging from landfill and/or improve infrastructure.

The Framework for National Packaging Covenant MkIII going forward from 2010, as part of the principle of continuous improvement, is to focus further on product design using guidelines for sustainable packaging. This approach seeks to address the sound management of materials and products through whole-of-life-cycle strategies to minimise waste and improve resource recovery, and achieve best practice sustainability through product design. It is an efficient way in which parties in the supply chain can take responsibility and contribute to the cost of recycling and disposal costs for used packaging.

Recommendation

That the Government acknowledge the success of the National Packaging Covenant and support the continuation of a partnership approach to improve investment and innovation in waste management practices.

3.6 Food regulatory policy and regulations

3.6.1 Food regulatory arrangements in Australia are flawed

Food policy and standards development is cumbersome, hindering innovation and industry productivity. The problems stem from:

- 10 governments and more than 20 departments being involved food standard setting;
- inadequate resources at Commonwealth and State and Territory level leading to shortages of technical staff with key competencies;

- little focus by FSANZ on core business of setting, reviewing and amending standards; and
- failure of the States and Territories to adopt the Model Food Act into food law resulting in a lack of consistency and harmonisation in food regulations across Australia.

Despite its importance from a policy perspective, the food and grocery manufacturing sector suffers from being a relatively small proportion and a low priority in the two key portfolios of Health (Department of Human Services) and the Agriculture (Department of Primary Industry). This directly affects the productivity of the industry by running the risk of:

- failing to secure important reforms to the poor food policy and regulatory framework which currently dogs the industry;
- imposition of regulations and other interventions which may constrain the industry, with any complaint being summarily dismissed as inconsequential;
- unfair treatment or disadvantage compared to other industries in major social/environmental/economic debates through its concerns not being heard; and
- becoming the scapegoat for social issues and concerns through populist policy and/or regulatory measures (e.g. food product labelling, container deposit legislation).

As no single agency is responsible for the interests of the food and grocery industry within any of the Governments of Australia, AFGC is concerned it is not getting the level of traction required at Commonwealth level or within State and Territory jurisdictions, to advance its productivity.

Recommendation

Australian food and grocery manufacturing industry needs a national food and grocery policy to protect and promote its interests thereby securing growth and competitiveness for the sector into the future.

***AFGC's proposal for a national food and grocery policy is discussed in more detail below**

AFGC strongly supports the concept of 'best practice regulation'. This recognises that regulatory oversight of markets is indispensable to ensure they operate efficiently through interventions which are cost effective. This is provided best through the following four-part regulatory policy framework:

- 1) **Agreed principles of regulatory policy development:** Agreeing to specific principles, or ground rules, for setting regulatory policy and regulations provides higher levels of certainty benefiting industry by facilitating business planning, and benefiting the community by providing high degrees of confidence that oversight of markets is effective. AFGC considers appropriate principles for the setting of food policy and regulation include:

- a. issues to be addressed and the outcomes to be sought must be clearly identified;
- b. evidence and fact-based approaches, including practicality factors, must underpin any market interventions;
- c. appropriate tools such as science based-risk assessment must be used to determine costs and benefits;
- d. stakeholders, particularly those required to implement and pay for any changes in regulations, must be consulted, and reasonably heeded; and
- e. all potential policy instruments must be considered, with only the most cost effective for the community being adopted.

2) Alignment of regulation and policy: Regulations must be guided and be aligned to an appropriate regulatory policy framework which:

- a. clearly outlines the objectives of the policy and pursuant regulations;
- b. defines the scope of the regulations with clear statements on what the policy does, and if necessary does not encompass;
- c. identifies appropriate regulatory tools which including regulations and supporting tools to augment effectiveness (such as education); and
- d. focuses on outcomes allowing for both prescriptive and non-prescriptive approaches.

3) Proportionate regulatory approaches: Depending on the nature of the issue to be addressed a number of regulatory approaches can be adopted⁵ vis:

- a. full regulation/black letter law – when issues of high importance to the community are being addressed and market failures may lead to substantial detriment clear mandatory requirements are needed, with appropriate sanctions for demonstrated non-compliance;
- b. prescribed codes – when more flexible and responsive approaches are effective, but the community still has a strong interest in the regulatory objectives being met. The full strength of the law is available to address non-compliance;
- c. endorsed codes of practice – when industry seeks to address specific market issues with support from a regulatory agency; and
- d. voluntary industry codes – when agreement is within an industry on an approach to address a market issue. This includes best practice guidelines

⁵ The ACCC provides extensive information on the range of regulatory measures with industries may consider, and the issues which needed to be addressed when introducing codes of practice and voluntary industry codes. www.accc.gov.au .

but compliance is entirely voluntary, although in some cases it may be tied to membership of an industry association.

- 4) **Active enforcement of compliance:** Low levels of compliance to any regulatory measure challenge its integrity and undermine the credibility of the supporting agency. This is the case for regulatory authorities (in the case of black letter law) and industry associations (in the case of voluntary industry codes). High levels of compliance are secured by:
- a. active enforcement through appropriate levels of surveillance and timely response to identified transgression;
 - b. appropriate sanction for transgression;
 - c. periodic monitoring and review of the regulatory measure to ensure its relevance and currency with amendment and/or removal of the regulatory measure if it is no longer needed; and
 - d. clear benefits being associated with high levels of compliance. This is obvious in the case of black letter law - avoiding legal proceedings and their possible consequences are of clear benefit. In the case of voluntary industry codes companies readily comply if they see value either for themselves or the industry as a whole.

Recommendation

That the Government formally commit to best practice regulation for the food and grocery industry through adopting a four-part approach to all regulatory policy and regulatory matters through:

- 1. agreed principles to underpin the regulatory policy development;**
- 2. alignment of regulation with regulatory policy;**
- 3. proportionate regulatory approaches through use of appropriate regulatory measures from black letter law through to voluntary industry codes; and**
- 4. active enforcement of compliance to secure the integrity of the policy and regulatory measures, and the credibility of supporting organisations.**

3.7 Climate change

Australia faces a whole set of new challenges in productivity due to the onslaught of climate change, as does Australian industry. The food and grocery manufacturing sector experiences uncertainty as a result of climate change in two ways:

- effects of Government policy interventions. The Federal Government's plans for a Carbon Pollution Reduction Scheme have failed to take into account trade exposed industries such as the food and grocery manufacturing sector. The current model does not adequately recognise the impact of an inequitable increase in costs and the consequences for the global competitiveness of the sector.
- real effects of climate change and specifically the effects on agriculture production and the cost and availability of food industry raw materials. Modelling has predicted

increased likelihood of reduced water availability, greater temperature extremes and extreme weather events. If the predictions come to pass, there may be substantial impacts on production of key food crops, with consequences for food and feed production.

AFGC seeks a trade-neutral approach to reducing carbon emissions and investing in Australia's renewable energy sector.

AFGC also looks for investment in research and development that can help the food industry mitigate the impacts of climate change on production, including renewable energy and water reuse technology.

Recommendation

That the Government ensure any policy response or initiative to address the climate change challenge considers the potential impacts on the food and grocery manufacturing sector

3.8 A skilled workforce

A recent study conducted by Australian Institute of Food Science and Technology (AIFST) displayed a drop in the number of students enrolling in food science and technology courses at university. In the higher education sector, ungraduated enrolments in food science technology peaked in 2006 and then declined from 2006 and 2007 and from 2006 and 2008 by 8% and 10% respectively. While the reasons are not clearly identified, this is a worrying trend as it directly impacts on the skills required in Australia for a productive food and grocery industry.

3.9 Infrastructure in rural and regional Australia

The availability, quality and cost of raw materials, the cost of land and suitable infrastructure, transport infrastructure, telecommunications and the supply of essential utilities, gas, water and electricity, and Government policies at the State and Regional level affect the location of businesses and their productivity, growth and profitability and in turn, jobs.

The food and grocery sector employs well over 200,000 Australians and well over 300,000 if food and grocery retailing is included. The industry makes a large contribution to rural and regional Australia economies, with around 40 per cent of food processing employment occurring in these areas⁶. The industry provides a significant job and export base for many regions and towns such the Murray-Darling and Goulburn Valley, Albury-Wodonga, the Murrumbidgee Irrigation Area of the Riverina, Ballarat, Dubbo, Griffith, Bathurst/Orange, Bundaberg, Bega, Wagga, Toowoomba and Renmark. This reflects the fact that 90 per cent of raw materials used in Australian food processing is produced in Australia.

Essential infrastructure and utilities in rural and regional Australia continue to deteriorate to the point where they are critical impediments to investment, productivity growth,

⁶ About Australia: www.dfat.gov.au

employment and profitability in agri-food businesses in regional Australia. While many of these infrastructure matters are predominantly the responsibility of State and Territory Governments and private sector corporations, many are the province of the Federal Government, either directly or in collaboration with State and Territory Governments.

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.

4 AFGC'S PROPOSAL FOR THE FUTURE OF THE FOOD AND GROCERY INDUSTRY

4.1 AFGC's National Food and Grocery Agenda

AFGC has called for governments at Commonwealth, State and Territory level to take leadership and develop a National Food and Grocery Agenda in partnership with the food and grocery industry. This is seen as critical to Australia remaining attractive to food manufacturing encouraging multi-nationals to spring-board into Asia, facilitating smaller manufacturers to expand into exports where affluent consumer food markets are growing. (i.e. India), and enhancing the competitiveness of local industries in the domestic market, where recent years has seen substantial growth in imports.

To support the case for a National Food and Grocery Agenda, AFGC has developed a vision for the industry and some key platforms to deliver it.

The vision is:

“A growing, profitable and sustainable industry - economically, socially and environmentally, providing a secure source of safe food and groceries to Australians and the export market. An industry that partners in educating and empowering consumers, within a best practice regulatory framework that demands the highest standards”

Four key platforms for securing that vision have been identified:

Platform 1 – A robust Australian food and manufacturing industry

Key elements of the platform are:

- creating a world-class operating environment conducive to the growth and profitability of the industry;
- a lean and efficient supply chain from state of the art business systems through to modern national infrastructure to enhance productivity of the industry;
- security of supply of food and grocery products for consumers in Australia and overseas markets through a diverse sourcing both domestically and overseas;
- consumer-driven innovation responding to consumer needs and trends; and

- Australia the preferred supplier to the world, growing export markets with the reputation of delivering the right products in specification, in full and on time.

Platform 2 – Clean, green and safe products

Key elements of the platform are:

- a greener industry and supply chain through continuing shrinkage of carbon footprints;
- reduced waste streams and water for a cleaner environment;
- improved health for the nation by producing and promoting products for healthier lifestyles; and
- guaranteed product safety and security through continual improvement in preventive food safety and quality systems and traceable supply chains.

Platform 3 – informed and empowered consumers

Key elements of the platform are:

- nutrition savvy consumers through enhanced communication of dietary and lifestyle advice;
- clear and open food and product information using modern technologies to extend the food label and meet individual consumer needs; and
- consistent, well-researched advice on healthy-eating and lifestyle, scientifically sound and up to date.

Platform 4 – Best practice regulatory framework

Key elements of the platform are:

- agreed principles of regulatory development providing a robust decision-making framework underpinning all regulatory policies and regulations;
- comprehensive policy framework ensuring alignment of regulation and policy;
- world renowned regulatory framework through proportionate regulatory approaches utilising the full range of regulatory measure from black letter law through to voluntary industry codes; and
- full industry compliance through active, consistent enforcement, of regulations and codes.

AFGC will be developing further ideas for a National Food and Grocery Agenda and will be looking to the Government for support and input.

Recommendation

That the Government actively support and contribute to the development a National Food and Grocery Agenda.

5 CONCLUSIONS

The Food and Grocery manufacturing sector faces a greater environment of uncertainty than at any other time in recent history, stemming from the global financial crisis and climate change. Governments cannot control these events, but they can reassert their commitments to a vibrant manufacturing sector, and consider the implications of their policy settings. More specifically, for the food and grocery manufacturing sector, which can be affected by many arms of government, coordination of policy settings is of critical importance.

The Australian food and grocery sector is vital to the ongoing productivity growth of the Australian economy, and as a result Government needs to ensure the industry operates in the best possible business environment.

AFGC MEMBERS AS AT 4 JUNE 2009

Arnott's Biscuits Limited
Snack Foods Limited
The Kettle Chip Company Pty Ltd
Asia-Pacific Blending Corporation Pty Ltd
Barilla Australia Pty Ltd
Beak & Johnston Pty Ltd
BOC Gases Australia Limited
Bronte Industries Pty Ltd
Bulla Dairy Foods
Bundaberg Brewed Drinks Pty Ltd
Bundaberg Sugar Limited
Cadbury Schweppes Asia Pacific
Campbell's Soup Australia
Cantarella Bros Pty Ltd
Cerebos (Australia) Limited
Christie Tea Pty Ltd
Clorox Australia Pty Ltd
Coca-Cola Amatil (Aust) Limited
SPC Ardmona Operations Limited
Coca-Cola South Pacific Pty Ltd
Colgate-Palmolive Pty Ltd
Coopers Brewery Limited
Dairy Farmers Group
Danisco Australia Pty Ltd
Devro Pty Ltd
DSM Food Specialties Australia Pty Ltd
DSM Nutritional Products
Earlee Products
Ferrero Australia
Fibrisol Services Australia Pty Ltd
Fonterra Brands (Australia) Pty Ltd
Foster's Group Limited
Fruco Beverages (Australia)
General Mills Australia Pty Ltd
George Weston Foods Limited
AB Food and Beverages Australia
AB Mauri
Cereform/Serrol
Don
GWF Baking Division
George Weston Technologies
Jasol
Weston Cereal Industries
GlaxoSmithKline Consumer Healthcare
Golden Circle Limited
Goodman Fielder Limited
Meadow Lea Australia
Quality Bakers Aust Pty Ltd
H J Heinz Company Australia Limited
Hans Continental Smallgoods Pty Ltd
Harvest FreshCuts Pty Ltd

Hoyt Food Manufacturing Industries Pty Ltd
Johnson & Johnson Pacific Pty Ltd
Pfizer Consumer Health
Kellogg (Australia) Pty Ltd
Day Dawn Pty Ltd
Specialty Cereals Pty Ltd
Kikkoman
Kimberly-Clark Australia Pty Ltd
Kerry Ingredients Australia Pty Ltd
Kraft Foods Asia Pacific
Lion Nathan Limited
Madura Tea Estates
Manildra Harwood Sugars
Mars Australia
Mars Food
Mars Petcare
Mars Snackfood
McCain Foods (Aust) Pty Ltd
McCormick Foods Aust. Pty Ltd
Merisant Manufacturing Aust. Pty Ltd
National Foods Limited
Nerada Tea Pty Ltd
Nestlé Australia Limited
Nestlé Foods & Beverages
Nestlé Confectionery
Nestlé Ice Cream
Nestlé Nutrition
Foodservice & Industrial Division
Novartis Consumer Health Australasia
Nutricia Australia Pty Ltd
Ocean Spray International Inc
Parmalat Australia Limited
Patties Foods Pty Ltd
Peanut Company of Aust. Limited
Procter & Gamble Australia Pty Ltd
Gillette Australia
PZ Cussons Australia Pty Ltd
Queen Fine Foods Pty Ltd
Reckitt Benckiser (Aust) Pty Ltd
Ridley Corporation Limited
Cheetham Salt Limited
Sanitarium Health Food Company
Sara Lee Australia
Sara Lee Foodservice
Sara Lee Food and Beverage
SCA Hygiene Australasia
Sensient Technologies
Simplot Australia Pty Ltd
Spicemasters of Australia Pty Ltd
Stuart Alexander & Co Pty Ltd
Sugar Australia Pty Ltd
SunRice
Swift Australia Pty Ltd

Symrise Pty Ltd
Tate & Lyle ANZ
The Smith's Snackfood Co.
The Wrigley Company
Unilever Australasia
Wyeth Australia Pty Ltd
Yakult Australia Pty Ltd

Associate Members

Accenture
Australia Pork Limited
Australian Dietetic Services
ACI Operations Pty Ltd
Amcors Fibre Packaging
CAS Systems of Australia
CHEP Asia-Pacific
Concurrent Activities
Dairy Australia
Exel (Aust) Logistics Pty Ltd
Focus Information Logistics Pty Ltd
Food Liaison Pty Ltd
FoodLegal
Food Science Australia
Foodbank Australia Limited
IBM Business Cons Svcs
innovations & solutions
KPMG
Leadership Solutions
Legal Finesse
Linfox Australia Pty Ltd
Meat and Livestock Australia Limited
Monsanto Australia Limited
New Zealand Trade and Enterprise
Promax Applications Group Pty Ltd
Sue Akeroyd & Associates
Swisslog Australia Pty Ltd
The Nielsen Company
Touchstone Cons. Australia Pty Ltd
Visy Pak
Wiley & Co Pty Ltd

PSF Members

Amcors Fibre Packaging
Bundaberg Brewed Drinks Pty Ltd
Cadbury Schweppes Asia Pacific
Coca-Cola Amatil (Aust) Limited
Foster's Group Limited
Golden Circle Limited
Lion Nathan Limited
Owens Illinois
Visy Pak

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