

Australian Food and Grocery Council SUBMISSION

19 NOVEMBER 2009

TO:

SELECT COMMITTEE ON AGRICULTURAL AND RELATED
INDUSTRIES

IN RESPONSE TO:

FOOD PRODUCTION IN AUSTRALIA



PREFACE

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

The membership of the 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.) The 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 turnover of \$100 billion and represents 28 per cent of total manufacturing turnover. It is comparable in size to the Australian mining sector, and is more than four times that of the automotive sector. The industry employs more than 315 000 people, half of whom are based in rural and regional Australia. The food manufacturing sector sources more than 90 per cent of its ingredients from Australian agriculture.

The 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.

The 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 between manufacturers and retailers, intensified competition and 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.

Australian Food and Grocery Council
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1: EXECUTIVE SUMMARY

Australia's food production is vitally important to the nation's future prosperity as it is a major contributor to the wealth of the economy. In order to stimulate growth in this area, the industry, including related sectors such as transport, need to be supported by minimum effective legislation and a healthy business environment.

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

- **Australia's largest manufacturing sector** accounting for 28 per cent of the total;
- **Australia's largest manufacturing employer** with a workforce of **over 315,000**; and an annual turnover of \$100 billion
- **a major employer in rural and regional** areas with a workforce of around 152,000;
- **a major exporter** with more than \$25 billion of value-added exports in 2008-2009 products;
- **a significant investor with \$3.8 billion** on capital expenditure in 2006-07
- **a leading innovator** \$500 million a year on R&D with 4,100 product launches in 2008 alone

Despite these successes, Australia faces some real challenges relating to increasing food production. Industry is no longer enjoying inexpensive natural resources and is 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 industry's success.

Poor or excessive regulation and changing requirements for food composition and labelling is also restricting the industry's ability to grow and remain profitable. To increase food production, AFGC considers it heavily incumbent upon Government to secure a business environment conducive to industry profitability and growth. 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. The AFGC calls upon Government to establish a National Food and Grocery Agenda. This will rectify the current fragmented approach of competing priorities which is inefficient for Government and industry. This is critical if Australia is to remain attractive as the location for investment in food manufacturing.

The Australian food industry has a market opportunity to build upon its reputation as a producer of green, clean and safe products and produce, and being a large contributor to address world food demand. AFGC's 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. AFGC aims for an industry that educates and empowers consumers, within a best practice regulatory framework that demands the highest standards.

AFGC restricts comments in this submission to a) affordability to consumers; b) viability of production by farmers; and c) of sustainable impact on the environment. AFGC has not commented on the impact of managed investment schemes (MIS) within its current inquiry into food production as it has not formed a view on this issue on behalf of its members.

2: RECOMMENDATIONS

AFGC welcomes the opportunity to make a submission to the Senate Select Committee on Agriculture and Related Industries' (the Committee) inquiry into food production.

AFGC recommends the following factors will assist industry in increasing food production:

A National Food and Grocery Agenda is required

- AFGC recommends the immediate establishment of an industry/Government/stakeholder working group to develop a National Food and Grocery Agenda for Australia (key elements of the Policy can be found in the attached document *A Growing and Sustainable Industry – The Case for a National Food and Grocery Agenda*).

Ensure resilience from climate change

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

Investment in research and development

- 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.

Promote employment and skills

- AFGC recommends that Government consider ways to support efforts to establish the food industry as being an attractive environment for employees and to create incentives for employers to train their staff to higher skill and productivity levels.

Support rural and regional Australia

- AFGC recommends that Government ensures that essential infrastructure and utilities in rural and regional Australia are maintained to promote investment, productivity growth, employment and profitability in agri-food businesses.

Ensure trade competitiveness

- AFGC recommends that the Government ensure any policy response or initiative to address the climate change challenge considers the potential impacts on the food manufacturing sector.
- AFGC recommends that the Government maintains Australia's national food security – as opposed to food self-sufficiency – in its trade policies.

A more efficient and effective supply chain

- AFGC recommends that 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.

Improve water management

- AFGC recommends Government establish new provisions for research and process development leading to efficient water use.
- AFGC recommends improved taxation provisions for depreciation of water efficiency and reuse investments to improve water management in the food industry.
- AFGC recommends that the Government considers water use a pre-competitive issue for the food manufacturing sector and consider development of water strategy for the food industry.

Improve waste management

- AFGC recommends that the Government, as part of the National Waste Strategy, provide funding for a comprehensive report into waste ensuring the approach to the issue is informed by a detailed analysis of action currently being undertaken and emerging issues such as the impact of the proposed CPRS on the packaging waste stream and sector.

AFGC recommends that Government continue support for the Australian Packaging Covenant by:

- providing ongoing commitment and funding to the 50-50 matching industry government model for this successful mechanism beyond 2010; and
- continuing commitment to the funding in forward estimates prepared for post 2010 fiscal years for up to 10 years.

Consider economic challenges

- That the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

3: SPECIFIC COMMENTS

3.1 AFGC'S NATIONAL FOOD AND GROCERY AGENDA

AFGC supports activities that attempt to improve industry capacity and efficiencies and is working with government departments and the non-government sector to secure outcomes for community and industry benefit. The lack of a comprehensive national policy framework, however, leads to competing priorities and inefficiencies for both Government and industry.

For greater food production, the Government needs to ensure that the industry is supported by a streamlined legislation and regulation which minimises impact on the business environment. Currently policy and regulatory imposts on the industry are being canvassed at all levels of Australian government bureaucracies across a range of portfolios. This results in a fragmented and often inconsistent operating environment for the food industry further compounding the challenges associated with remaining globally competitive.

A *National Food and Grocery Agenda* would take into account the diversity and complexity of Australia's food industry by including the related sectors along the supply chain which impact on productivity and production; including grocery and packaging manufacturers and transport companies.

In the United Kingdom in 2008 the Cabinet Office released an overarching policy statement¹ for their largest manufacturing industry – food processing – which addresses economics and equity, health, safety and the environment. The strategies foreshadowed in the policy statement span not only a number of government departments but signal multi-partner collective action with the non-government sector and industry recognising the joint responsibility across the sectors of securing a profitable food industry future providing wholesome, affordable food to consumers in the UK and in global markets. Australia urgently needs a similar *National Food and Grocery Agenda*. It would provide a framework ensuring coherence and co-ordination of policies across the topics addressed further in this Submission.

Recommendation

AFGC recommends the immediate establishment of an industry/Government/stakeholder working group to develop a National Food and Grocery Agenda for Australia (key elements of the Policy can be found in the attached document *A Growing and Sustainable Industry – The Case for a National Food and Grocery Agenda*).

3.2 ENSURE RESILIENCE FROM CLIMATE CHANGE

Australian's agricultural regions face new challenges in food production due to the effects of climate change for two reasons:

¹ Food Matters: Towards a Strategy for the 21st Century. UK Cabinet Office. July 2008.

- The 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. This in turn will influence business decision-making, particularly in reinvestment in manufacturing plants in the parts of the country most affected.
- The 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 manufacturing sector. The current model does not adequately recognise the impact of an inequitable increase in costs (to both manufactures and consumers) and the consequences for the global competitiveness of the sector.

AFGC supports the objective of the Commonwealth Government's Carbon Pollution Reduction Scheme (CPRS) and agrees Australia should become more energy efficient and reduce emissions. The issue for the industry is by how much, by what means and at what cost to the economy (as discussed in more detail under "Ensure Trade Competitiveness").

Recommendation

AFGC recommends investment in research and development to help the food industry mitigate the impacts of climate change on food production, including renewable energy and water reuse technology.

3.3 INVESTMENT IN RESEARCH AND DEVELOPMENT

Being a technologically based, manufacturing industry operating in an intensively competitive market, the food industry is required to constantly invest and reinvest in plant and equipment, and research and development. Investment in the industry has been steady at an average of \$3.8 billion a year for the past five years, with 70 per cent invested in new plant, machinery and equipment. Technology innovation is the key to remaining competitive and efficient across the supply-chain.

The industry spends around 9 per cent of all manufacturing investment in research and development (R&D), or around 0.5 per cent of turnover on average, representing an estimated total of around \$500 million.

Innovation in technology, and research and development are tools with which Australian industry can increase in productivity and food production. Although the costs are initially an issue, investment in these areas can create a more fruitful business environment in the long term.

The food manufacturing sector in Australia receives very relatively little sector specific Government assistance for innovation. 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

improvements². Over the past two years government support for industry innovation has decreased, primarily through the withdrawal of the Food Innovation Grant (FIG) scheme. Although replaced at a lower level of funding by the Regional Food Producers Innovation and Productivity Program, the effect on the food industry has been compounded due to the effects on research providers. For example, CSIRO has had to reduce its support for Food Science Australia as a direct result for the loss of the FIG scheme.

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

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.

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. By conserving our natural resources through these improve efficiencies; Australia will have a greater ability to increase food production.

Recommendation

AFGC asks that the Government ensures a business environment where industry can remain competitive and has the capacity to adopt new technologies.

3.4 PROMOTE EMPLOYMENT AND SKILLS

Efficiencies in food production will require the adoption of new technology, which means that the food industry needs a new skill level in its employees. To achieve this, the food industry needs to be established as an attractive environment for employees, with incentives for employers to train their staff to higher skill and productivity levels to achieve this.

Overall, the food and grocery manufacturing industry employed 315,149 people in 2006-07, approximately 3 per cent of all employed persons in Australia during the same period. Salaries and wages paid in the industry for the 12 months to June 2007 were estimated to be \$14 billion. Employees work in business management, sales and marketing, manufacturing operations, information technology, supply chain and logistics, and food science and technology, contributing to the diversity and depth of the nation's skill base³.

The Australian food and grocery industry provides employment to approximately 152,000 rural/regional workers (measured in the last quarter of 2008-09) compared to approximately 169,000 urban centre workers during the same period. The fresh produce sector employs 72 per cent of its workers from rural

² www.daff.gov.au

³ Australian Food and Grocery Council State of the Industry Report, AFGC and KPMG Australia, October 2009

and regional areas in Australia; the food and beverage sector employs about an equal number of workers in urban and rural/regional areas and the grocery sector employs 21 per cent of its workers from rural and regional areas. The industry also makes a substantial contribution to youth employment and training with 22,800 ongoing apprenticeships and training schemes in 2007, or 6 per cent of those offered nationwide.

A recent study conducted by the Australian Institute of Food Science and Technology 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 industry.

Recommendation

AFGC recommends that government support efforts to establish the food industry as being an attractive environment for employees and to create incentives for employers to train their staff to higher skill and productivity levels.

3.5 SUPPORT RURAL AND REGIONAL AUSTRALIA

Many food manufacturing plants are situated outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with around 40 per cent of food processing employment occurring in these areas⁴. The industry provides a significant job and export base for many regions and towns such as 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.

The availability, quality and cost of raw materials, the cost of land and suitable infrastructure and the availability of skilled workers influence the location for food and beverage manufacturing. Similarly, 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.

AFGC is concerned that essential infrastructure and utilities in rural and regional Australia may deteriorate to the point where they are critical impediments to investment, productivity growth, employment and food production 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. Greater collaboration between the governments on these issues and improvements in infrastructure to rural Australia will greatly increase their ability to increase food production.

⁴ About Australia: www.dfat.gov.au

Recommendation

Government needs to ensure that essential infrastructure and utilities in rural and regional Australia are maintained to promote investment, productivity growth, employment and profitability in agri-food businesses.

3.6 ENSURE TRADE COMPETITIVENESS

The Australian food industry has an opportunity to build on its reputation for high quality, globally competitive food products meeting the needs of consumers both in Australia and overseas. The food and grocery manufacturing and fresh produce sector is already a major contributor to international trade accounting for 9.1 per cent of Australian's total international trade, valued at \$49 billion in 2008-09. During that year, the value of the industry's trade grew by 9.3 per cent compared with 2007-08. It is a major exporter, generating \$25 billion in export revenues annually, or approximately 20 per cent of Australia's export earnings from manufactured goods⁵.

However, as the world economy enters the recovery phase, there is growing concern among a number of economists that growth in global activity, including world trade, will remain below trend for some quarters to come. One of the key factors affecting the sustainability of the economic recovery will be the restoration of global consumer confidence and the return of stability of the financial markets.

Australia had a trade surplus of \$386 million for fresh produce in 2008-09. Overall, export returns are expected to fall by 22 per cent for Australian commodities in 2009-10 after a rise of 30 per cent in 2008-09. While many global commodity prices are expected to rise, the continued strength of the Australian dollar will continue to erode the potential earnings of the exports sectors. World wheat trade is forecast to decline by 3 million tonnes or 3 per cent in 2009-10. However, import demand for the world's major wheat exploring countries (including Australia) is expected to rise.

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; threatening Australia's viability as a manufacturing base.

The 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 when considering food production.

Recommendation

Government consider the contribution the industry makes on the economy when devising policies that affect the international competitiveness of the food and grocery industry.

⁵ Australian Food and Grocery Council State of the Industry Report, AFGC and KPMG Australia, October 2009

Food Security

The issue of food security has become a critical issue for Australia as demand for food is increasingly becoming a world problem. As the global population rises, global supply capacity is struggling to keep up with changing requirements. Australia is in a fortunate position of being a high producer of quality, healthy and safe food products and has a responsibility to ensure increased production in this area to meet the world's food needs. There are currently 1.02 billion people around the world who go hungry every day. With predictions that the world population will reach 9 billion by 2050 it is estimated that the world will need to double current food production to meet these challenges.

Food security needs to be maintained through open and competitive markets, ensuring effective trade relationships. Australia should not attempt to be totally self-sufficient, but should aim to increase production of food that is suitable to be grown here. Aside from the environmental stress self-sufficiency would cause, there are also a number of practical difficulties, which would effect the profitability and competitiveness of Australia's food production in the future. Australia relies on effective trade relationships for both our economy and our products. The import market provides Australia with a number of key ingredients for manufactured food production such as cocoa, an essential ingredient to the iconic Australian-made Tim Tam.

Recommendation

The Government maintains Australia's national food security – as opposed to food self-sufficiency – in its trade policies.

Carbon Pollution Reduction Scheme (CPRS)

Although AFGC supports the objective of the CPRS, government modelling has not sufficiently considered its impacts on the food sector. Specifically, whilst the industry is not necessarily emissions intensive it is trade exposed, there is a real risk that the higher costs the legislation will impose will make Australia's food industry less globally competitive.

To provide an indicative insight into the additional costs that industry may have to incur, if a flat carbon price of \$10 per tonne was applied through the supply chain, it could cost AFGC members alone approximately \$120 million in the first year. This does not include the additional costs that are expected to flow on from individual components of the supply chain; including farmers, transport providers, packaging manufacturers and retailers.

If the CPRS goes ahead in its current proposal, the food manufacturing industry estimates a price shock of more than 5 per cent for food and groceries in Australia. Food and grocery spending represents 20 per cent of the weekly household budget, so CPRS-inflated food prices will have a major impact on consumers.

In the absence of a similar cost in other producing countries, the ability of Australian food companies to competitively supply both the domestic and exports markets would be significantly diminished. Such a system would not allow the domestic industry to compete on like terms with the increasing level of imported food products.

Recommendation

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

3.7 A MORE EFFICIENT AND EFFECTIVE SUPPLY CHAIN

AFGC considers greater food production could be achieved through improved efficiencies along the supply chain; using innovative technology and better collaboration between upstream and downstream supply chain constituents on issues such as transport.

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 (e.g. maintaining a "frozen or chilled environment) on fuel consumption and the impact of weight loaded on fuel consumption. This will provide detailed information that industry could use for modelling environmental impacts of various transport options and potentially 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.

3.8 IMPROVE WATER MANAGEMENT

The availability of water for growing and processing food is a critical issue for the industry. Water has already become scarce in some of the main agricultural regions of Australia. Water scarcity is creating two sources of uncertainty for the 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 have significant commercial consequences as the location of food processing has always been linked to commodity production regions.

Some experts suggest Australia will not have enough water to sustain necessary food production in 25 years unless water use is dramatically reduced. This can be done without compromising food production through efficiency technology.

Water Reuse

Government needs to support research and process development, leading to more efficient water use.

AFGC, Woolworths and the Department of Agriculture Fishery and Forestry (DAFF) co-sponsored CSIRO to undertake research into the status and opportunities for water recycling by Australian food processors, manufacturers and allied grocery product industries. Considerations included economic feasibility, government and water authority regulations, public health, public perception, food quality and environmental health. The report shows that the low price of fresh water against the cost of water treatment technologies is one of the impediments to implementation of reuse strategies by industry. Another major concern amongst industry respondents was the possible risk – either real or perceived – to the reputation, quality and safety of food products.

While industry is already taking advantage of the water efficiency and reuse programs offered by various levels of government, there is an opportunity to improve the cooperative response. There is arguably sufficient technological capacity in the food processing industry to assess and implement simple water efficiency programs at existing plants.

To further enhance water efficiency in the food industry, the report recommends improved taxation provisions for water efficiency measures and reuse investments. A collaborative recognition scheme for sectors or companies which achieve water reuse or recycling targets would be another positive step forward.

Water Policy

The industry also seeks a nationally coordinated approach to water security and availability for food production, processing and manufacturing. A national approach incorporating some of the examples that have taken place in relation to reduced water demand across the industry and to document some of the more relevant case studies would be valuable and provide direction for the long term sustainability for the industry. More specifically however, the approach should take a wider policy perspective; looking beyond the specific company driven initiatives of reducing water demand at a particular site or plant.

Recommendations

- **Government establish new provisions for research and technology development leading to efficient water use.**
- **Improved taxation provisions for depreciation of water efficiency and reuse investments to improve water management in the food industry.**
- **Government considers water use a pre-competitive issue for the food manufacturing sector and consider development of water strategy for the food industry.**

3.9 IMPROVE WASTE MANAGEMENT

Waste management is also a critical issue for the industry. Food waste reduction, both during manufacturing processes and by consumers, will make an important contribution in achieving a sustainable food supply into the future.

National Waste Strategy

The AFGC welcomes the agreement by State and Territory Environment Ministers to develop a national policy to deal with Australia's burgeoning mountain of waste; *Less Waste More Resources*. This decision represents a fundamental shift in thinking about how collective action by industry, government and the community can manage Australia's waste issues. Waste policy has not been considered in the national context since 1992, when COAG agreed to the National Strategy for Ecologically Sustainable Development.

A national waste policy will provide much-needed clarity on the appropriate measures needed to address each of the many issues. It also affords a timely opportunity to revisit waste policy in the context of broader Government policies on climate change and sustainability. This is particularly important in light of policy development around the CPRS and the impact it may have on waste management and recycling.

Recommendation

The AFGC recommends that the Government, as part of *Less Waste More Resources*, provide funding for a comprehensive report into waste ensuring the approach to the issue is informed by a detailed analysis of action currently being undertaken and emerging issues such as the impact of the proposed CPRS on the packaging waste stream and sector.

Australian Packaging Covenant

AFGC welcomes the Governments Support for a strengthened Australian Packaging Covenant to replace the National Packaging Covenant, which is due to expire on 30 June 2010. AFGC considers waste management to be another area where greater national coordination is required.

The Australian Packaging Covenant is an important model in a national approach to waste management that has the ability to provide genuine improvement to the system and identify best

practice systems both for waste minimisation and recovery based on a market driven approach. It represents a successful co-operative approach, based on the principle of shared responsibility, between all links in the packaging supply chain and all spheres of government to achieve a nationally consistent approach to the lifecycle management of packaging. This includes its recovery, utilisation and ultimate disposal.

Recommendation

The AFGC recommends that Government maintain its support of the Covenant process by:

- **providing ongoing commitment and funding to the 50-50 matching industry government model for this successful mechanism beyond 2010;**
- **and continue commitment to the funding in forward estimates prepared for post 2010 fiscal years for up to 10 years.**

3.10 CONSIDER ECONOMIC CHALLENGES

In 2008-09, industry participants in Australia faced extraordinary new challenges in the search for innovative ways to succeed in a turbulent marketplace. The economic downturn and credit crisis resulted in reduced availability of credit, weaker export markets and job losses. Consumer spending also contracted along with shifts in shopper behaviour towards the discount end of the value chain.

While the Australian food industry has shown some resilience through the global financial crisis, there has been some impact on the industry. There have been reports of consumers moving from premium branded products to less expensive products and house brands. The tightening of credit markets has resulted in some companies finding it more difficult to secure money for investment in expansion and infrastructure to achieve better environmental outcomes.

Although the recent ACCC inquiry into grocery pricing found no evidence of market power abuse, concentration on the retail sector allows retailers to put sustained pressure on suppliers' margins. This has been driven by rising retailer strength as Woolworths and Coles have increased their combined share of the food, grocery and liquor spend from 47 per cent in 2000-01 to 54 per cent in 2007-08.

The last two years have been characterised by volatility in business input costs resulting from great fluctuations in raw material and energy costs. Despite the impact of the global financial crisis, they are expected to continue to face pressure in the long-term. Low energy prices have been the source of comparative advantage in Australia, offsetting comparative disadvantages such as distance from markets and wage levels. However, energy prices will increase as a result of Australia's response to climate change. The increase in input costs affect profitability and put pressure on the business case for maintaining food manufacturing presence in Australia. This highlights the need for every effort to be made to improve the productivity of the sector.

Given the size of the food 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 profitability thus benefiting Australian consumers, the workforce and the economy in general.

Recommendation

That the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

4: CONCLUSION

Australia is in the fortunate position of being able to increase food production and to be seen as the supplier of world-leading products that are green, clean and safe. Additionally, very few people – including political leaders – realise the important role Australia’s food industry can play in meeting global food requirements. To achieve this, **agricultural land needs to become more productive, food processing more efficient and waste must be reduced.**

The past increases in food production have only been achieved at significant cost to the environment. The challenge for the future is to achieve the same increase but with greater efficiencies through water and energy use (and reuse), reducing packaging and waste, and increasing recycling rates.

To protect Australia’s long-term food security and consumer expectation of quality, price, value, convenience and safety, a National Food and Grocery Agenda is urgently needed. The Agenda will also ensure the industry’s long-term sustainable growth, increase export earning and competitiveness and guarantee access to safe, affordable, healthy food. A thriving and prosperous food industry will also contribute many benefits to the Australian economy, including increased job opportunities, especially in rural and regional areas.

This future vision for the food industry will not be achieved without an over-arching, coordinated government strategy, developed in partnership with industry and other stakeholders.

Inquires relating to this submission should be directed to:

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AFGC Members at October 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
Frucor 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
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
Kerry Ingredients Australia Pty Ltd
Kikkoman
Kimberly-Clark 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
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
CoreProcess (Australia) Pty Ltd
Dairy Australia
Exel (Aust) 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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