



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

SUBMISSION TO
Productivity Commission

IN RESPONSE TO
Safeguards inquiry into the import of pigmeat.

December 2007

PREFACE

The Australian Food and Grocery Council is the peak national organisation representing Australia's packaged food, drink and grocery products 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 highly 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 Australia's food, drink and grocery products industry is a substantial contributor 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 processed food 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 and to promote the industry and the virtues of its products, enabling member companies to grow their businesses.

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.

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

Mr Gary Banks
Chairman
Productivity Commission
Safeguards Inquiry into Import of Pigmeat
Locked Bag 2
Collins Street East
MELBOURNE VIC 8003

Dear Chairman

The Australian Food and Grocery Council (AFGC) is pleased to provide this submission for consideration by the Commission in its inquiry to determine if safeguard measures are required to assist the pork industry. The Council membership includes a number of pork producers and processors.

The AFGC supports the existence of a globally competitive and sustainable Australian pork industry.

More broadly the AFGC is supportive of policies and programs that can improve the efficiency and sustainability of domestic sectors becoming globally competitive. The AFGC would support measures that promote rationalisation and restructuring to assist the Australian pork industry achieve this outcome. Structural adjustment within the industry is required. The AFGC would like to see this undertaken in the most efficient and effective way that minimises the negative impacts and promotes the development of this important agricultural sector.

Australian farmers are currently facing severe drought conditions that are having a significant impact across all sectors. While unfortunate, droughts have always been a regular (albeit unwanted) feature of agricultural production in Australia. In the specific case of livestock and more specifically, intensive livestock production such as pork, the immediate and most tangible effect has been a sharp rise in feed costs as a result of reduced supply.

The increase in value of the Australian dollar and rise in feed prices has had a major negative impact on the profitability and competitiveness of Australian pork producers. Fluctuations in these variables are a common feature of global markets. As a result, the competitiveness of Australian pigmeat sector will continue to be subject to and impacted by developments in world markets.

In addition to market dynamics, the change in quarantine arrangements to permit imports has also undoubtedly impacted on the Australian pork industry. The level of imports has almost tripled in volume over the 5 year period from 52kt in 2000-01 to 145kt 2005-06¹.

The rise in imports has been considerable and is suggested to be the result of a combination of factors, including product differentiation and the cost of competitively

priced imports from Canada, Denmark and the United States. It is clear that the pigmeat sector in these importing countries have some cost and production advantages over the Australian industry, including lower feed and processing costs.

The AFGC is of the view that a transparent and clear understanding of the competitive position of major overseas producers that are providing to the Australian market may encourage some producers to re-evaluate their competitiveness. As reported on by the Productivity Commission in 2005², there appears to be a level of reluctance by some Australian producers and processors to understand or acknowledge that overseas imports are being supplied to the Australian market on a highly competitive basis in the absence of significant levels of assistance. The Commission argued that this lack of understanding is limiting the necessary adjustments within the sector. If this concern was addressed then rationalisation may be facilitated more effectively.

The AFGC is supportive of current anti dumping arrangements and safeguard provisions to ensure measures available to Australian companies are not diminished. Notwithstanding that, the available measures should not be used to delay industry adjustment and rationalisation that needs to occur to ensure the sustainability and competitiveness of a range of sectors. If artificial economic measures such as tariffs, were applied to the market they would need to be applied at a significant level to be effective. While always hesitant to increase prices as a result of an increase in costs, manufacturers would have to closely examine the viability of absorbing any increase in costs.

Australian pork producers are likely to continue to face challenges in competing on cost alone and may be well positioned to focus on other aspects of their production such as quality, product differentiation and value adding in specific markets. Accordingly, maintaining and increasing awareness of market signals within the supply chain is important.

The AFGC supports industry policy that continues to progress reform and seeks to adopt activity that ensures innovative commercial opportunities are created. While some good progress has been made in reforming the sector, continued micro-economic reforms should be pursued which will enable the pork sector to improve their global competitiveness and to take advantage of any competitive advantages in domestic or export markets.



Dick Wells
CHIEF EXECUTIVE

¹. Australian Food Statistics 2006, Department of Agriculture, Fisheries, Forestry, Commonwealth of Australia

² Inquiry into the Australian pigmeat industry, 2005, Productivity Commission.

AFGC MEMBERS AS AT 30 NOVEMBER 2007

AAB Holdings Pty Ltd
 Arnott's Biscuits Ltd
 Snack Foods Ltd
 The Kettle Chip Company Pty Ltd
 Asia-Pacific Blending Corporation Pty Ltd
 Australian Pacific Paper Products
 Barilla Australia Pty Ltd
 Beak & Johnston Pty Ltd
 BOC Gases Australia Ltd
 Bronte Industries Pty Ltd
 Bulla Dairy Foods
 Bundaberg Brewed Drinks Pty Ltd
 Bundaberg Sugar Ltd
 Cadbury Schweppes Asia Pacific
 Campbell's Soup Australia
 Cantarella Bros Pty Ltd
 Cerebos (Australia) Ltd
 Christie Tea Pty Ltd
 Clorox Australia Pty Ltd
 Coca-Cola Amatil (Aust) Ltd
 SPC Ardmona Operations Ltd
 Colgate-Palmolive Pty Ltd
 Coopers Brewery Ltd
 Dairy Farmers Group
 Danisco Australia Pty Ltd
 Devro Pty Ltd
 Dole Australia
 DSM Food Specialties Australia Pty Ltd
 DSM Nutritional Products
 Ferrero Australia Pty Ltd
 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 Ltd
 AB Food and Beverages Australia
 AB Mauri
 Cereform/Serrol
 GWF Baking Division
 GWF Meat & Dairy Division
 George Weston Technologies
 Jasol
 Weston Cereal Industries
 GlaxoSmithKline Consumer Healthcare
 Golden Circle Ltd
 Goodman Fielder Limited
 Meadow Lea Australia
 Quality Bakers Aust P/L
 H J Heinz Company Australia Ltd
 Hans Continental Smallgoods Pty Ltd
 Harvest FreshCuts Pty Ltd
 Heilmann Foodmaker Group
 Hoyt Food Manufacturing Industries Pty Ltd
 J Boag and Son Brewing Ltd
 Johnson & Johnson Pacific Pty Ltd
 Pfizer Consumer Health

Kellogg (Australia) Pty Ltd
 Day Dawn 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 Australia Pty Ltd
 Merino Pty Ltd
 Merisant Manufacturing Aust. Pty Ltd
 National Foods Ltd
 Nerada Tea Pty Ltd
 Nestlé Australia Ltd
 Nestlé Foods & Beverages
 Nestlé Confectionery
 Nestlé Ice Cream
 Nestlé Chilled Dairy
 Nestlé Nutrition
 Foodservice & Industrial Division
 Novartis Consumer Health Australasia Pty Ltd
 Nutricia Australia Pty Ltd
 Ocean Spray International, Inc
 Parmalat Australia Ltd
 Patties Foods Pty Ltd
 Peanut Company of Aust Ltd
 Procter & Gamble Australia Pty Ltd
 Gillette Australia
 PZ Cussons Australia Pty Ltd
 Quality Ingredients Ltd
 Prima Herbs and Spices
 Reckitt Benckiser (Aust) Pty Ltd
 Ridley Corporation Ltd
 Cheetham Salt Limited
 Sanitarium Health Food Company
 Sara Lee Australia
 Sara Lee Foodservice
 Sara Lee Food and Beverage
 SCA Hygiene Australasia
 Schwarzkopf and Henkel
 Sensient Technologies
 Simplot Australia Pty Ltd
 Specialty Cereals Pty Ltd
 Spicemasters of Australia Pty Ltd
 Stuart Alexander & Co Pty Limited

Sugar Australia Pty Ltd
 SunRice
 Swift Australia Pty Ltd
 Symrise Pty Ltd
 Tate & Lyle ANZ
 Tetley Australia Pty Ltd
 The Smith's Snackfood Co.
 Unilever Australasia
 Waters Trading Pty Ltd
 Wyeth Australia Pty Ltd
 Yakult Australia Pty Ltd

Associate members

Accenture
 Australia Pork Limited
 ACI Operations Pty Ltd
 Amcor Fibre Packaging
 CHEP Asia-Pacific
 Concurrent Activities
 Dairy Australia
 Exel (Aust) Logistics P/L
 Focus Information Logistics Pty Ltd
 Food Liaison Pty Ltd
 Food Science Australia
 Foodbank Australia Limited
 IBM Business Cons Svcs
 innovations & solutions
 KPMG
 Lawson Software
 Legal Finesse
 Linfox Australia Pty Ltd
 Logistics Bureau Pty Ltd
 Meat and Livestock Australia Ltd
 Monsanto Australia Ltd
 PricewaterhouseCoopers
 Promax Applications Group Pty Ltd
 SAP Australia Pty Limited
 Sue Akeroyd & Associates
 Swire Cold Storage
 Swisslog Australia Pty Limited
 Touchstone Cons. Aust Pty Ltd
 Visy Pak
 Wiley & Co Pty Ltd

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