Safeguards inquiry into the Import of Processed Fruit Products

Submission by Senator Bridget McKenzie, July 2013

Executive Summary

- Over the last few years there has been a severe deterioration in the financial performance of Australia's fruit processing industries, coinciding with stringent competition from low cost overseas producers.

- A main contributor to the increased Australian food imports between 2010-11 and 2011-12 has been processed fruit and vegetables, which rose by around $264 million.

- Since 2008, the overall value of processed fruit imports has risen from approximately $73.3 million to around $113.4 million in 2012, an increase of around 54%. The most pronounced increases have occurred in pears, which is also the largest component of industry imports. The value of imported pears has increased by around 59% between 2008 and 2012 to around $65 million.

- At the same time as processed fruit imports have flooded into the Australian market, the industry's export performance has deteriorated significantly across all major categories of processed fruit. Total exports are around 53% lower over the period 2008-12. SPC Ardmona's export market volumes have declined by 90% in the past five years.

- There has been a severe rationalisation in the number of fruit suppliers to SPC Ardmona. For the 2014 growing season, supplying orchards have been halved.

- SPC Ardmona's cut back in suppliers this year will compound greatly on the financial difficulties facing growers. A survey of Goulburn Valley producers reported declining orchard profitability, indebtedness and capital constraints, a reduced workforce, and heightened pest and disease risks.

- Many orchards have reduced their permanent workforce in response to lower income expectations going forward. The Canning Fruits Industry Council estimated that approximately 1500 ongoing positions (including casual seasonal work) will be lost from peach and pear orchards. According to economic analysis by REMPLAN, from a loss of 100 direct jobs in the Fruit Product Manufacturing Industry Sector it is estimated that Greater Shepparton's annual economic output would decrease by $82.690 million. Taking into consideration the flow-on industrial and consumption effects, up to a further 221 jobs would be lost in the Greater Shepparton economy.

- About 750,000 pear and peach trees in the Goulburn Valley may be removed to address pest and disease risks. This presents a serious and ongoing injury to industry with estimates to set up a new orchard in Australia in the range of $50,000-$90,000 per hectare for commercial stone fruit and $40,000 per hectare for citrus fruit. It can also take up to 6 years for fruit trees to reach production maturity, and therefore longer to make a return on initial outlays and become profitable. In addition, annual ongoing on-farm maintenance can equate to around $22,000 per hectare and $16,000 per hectare for these fruit types respectively. To get established and make a profit in this industry is a long term investment.

- To address the negative effect of the flow of cheap imports Australia needs to pursue safeguards as a matter of urgency.

Introduction

Australia has a strong reputation as a high-quality, safe and reliable food producer. The viability and productive capacity of Australia's strategic agricultural sectors are critical to Australia's regions and should remain a national priority.

Australia's processed tomatoes and fruit industries are currently confronting major challenges arising from a substantial surge in low-cost imports. While Australia's agribusinesses and food manufacturers have long faced healthy competition from abroad, the rapid market penetration of new entrants is adversely affecting the immediate and longer term financial sustainability of food manufacturers as well as their many agricultural suppliers.

As a World Trade Organization (WTO) Member, Australia has made binding commitments in relation to the trade of goods and services. A crucial aspect of the WTO framework is the safeguard mechanism, which can be applied, following formal investigation, to prevent or remedy 'serious injury' to an import-competing industry resulting from unforeseen import surges in relevant markets. As reinforced by the Chairman of the Productivity Commission (see Hansard, Senate Economics Legislation Committee, 6 June, p. 79*)*, there is a legitimate role for member countries to utilise the safeguard mechanism where justified. Indeed, the temporary measures offer a means to actively pursue liberalised global trade with some recourse to address exceptional market circumstances.

The current market crisis warrants a detailed assessment and we welcome the Productivity Commission's investigation into this important matter.

The focus of this submission is to highlight the acute financial challenges being faced by the processed fruits/tomatoes industry given the dramatic influx of low-cost imports which have flooded the Australian market. We discuss these challenges, and their attendant issues, in areas being examined by the inquiry and where specific information is being sought by the Commission.

Industry context

Over the last few years there has been a severe deterioration in the financial performance of Australia's fruit processing industries, coinciding with stringent competition from low cost overseas producers. Indeed, a main contributor to the increased Australian food imports between 2010-11 and 2011-12 has been processed fruit and vegetables, which rose by around $264 million (Australian Food Statistics 2011-12).

The market share of locally produced canned fruit products has dramatically decreased and SPC Ardmona, Australia's sole fruit canning producer, has seen its domestic market share and exports volumes plummet. As a result, the company has recently halved its peach and pear suppliers for the 2014 season.

This announcement comes on top of several high-profile financial challenges at major Australian food producers. For example, the closure in March 2013 of both the Windsor Farm Foods Group cannery in Cowra, and iconic tomato sauce brand Rosella underscore the profound competitive pressures facing Australian food processing.

Much of the recent increase in processed fruit imports has occurred through supermarkets' private labels. The two major supermarket chains have about 80% of the Australian grocery market. Over the last few years there has been a strong shift by supermarkets into own-branded products, not only in processed fruit but many other forms of food. The private label share of total supermarket sales in Australia has increased steadily from approximately 15% in 2003 to 25% in 2010, and this is expected to intensify.

This change in the retail landscape has placed increasing downward pressure on prices (especially at the non-premium part of the market) as private label products can effectively leverage the branding, advertising and shelf space advantages of supermarkets.

All of Australia's deciduous canning fruit is grown in close vicinity to SPC Ardmona's Shepparton factory. As such, the consequences for the Goulburn Valley are particularly dire should current market circumstances persist. The range of suppliers and other dependent businesses is considerable. Moreover there is a significant link between a strong and sustainable food industry and employment opportunities in rural and regional areas.

While an increase in imports is a natural effect of trade liberalisation — and one which brings considerable benefits to the Australian economy — the magnitude and speed of the increase in ultra-low-cost imports is having an immediate adverse impact on the industry. Importantly, this appears well beyond what could be considered to represent normal market fluctuations.

Reflecting these factors, there is a key risk that permanent damage to industry viability will occur, leading to a hollowing out of strategic supplying industries and a weakening in regional sustainability. Indeed, the Productivity Commission's inquiry into safeguard measures for both the processed tomatoes and fruits industries reflects the visible build-up of external pressures.

The international picture

There are eight major canned fruit producing nations: South Africa, Chile, Argentina, Australia, United States, Spain, Greece and China. Many of these countries, especially South Africa and China which are the main source of processed fruit imports, have considerable cost advantages compared to Australian producers.

Some major cost factors include:

- cheaper wages and other related labour costs such as workplace safety and workers compensation
- greater economies of scale in processing plant
- lower standards of processing facilities (eg building codes and relevant food safety standards).

The strength of the Australian dollar has further exacerbated the competitive disadvantages of the local industry. Certainly there is a prospect that Australia's exchange rate will remain high for some time and will continue to drive the flood of imports hitting Australian markets.

The strength of the currency has notably coincided with a softening of demand in the US and European markets with the global recession. This has led to major canning countries like China and South Africa targeting other markets like Australia.

Issues being examined by the inquiry

The Productivity Commission is looking at three key issues as part of its inquiry:

- whether safeguard measures are justified under the WTO Agreement

- what measures would be necessary to prevent or remedy serious injury and to facilitate adjustment
- whether those measures should be implemented

These areas are examined below.

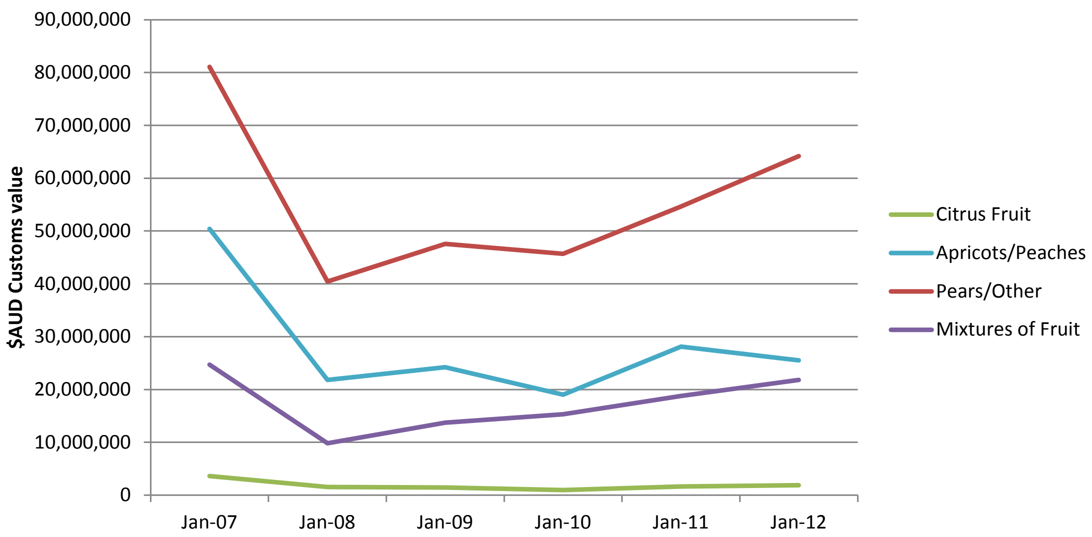
Determining whether safeguard measures are justified

What has happened to imports and exports?

Over the past five years the value of processed fruit imports has been increasing. Since 2008, the overall value of processed fruit imports has risen from approximately $73.3 million to around $113.4 million in 2012, an increase of around 54%. The most pronounced increases have occurred in pears, which is also the largest component of industry imports. The value of imported pears has increased by around 59% between 2008 and 2012 to around $65 million.

The value of processed fruit imports are shown in Chart 1.

Chart 1: Processed fruit imports

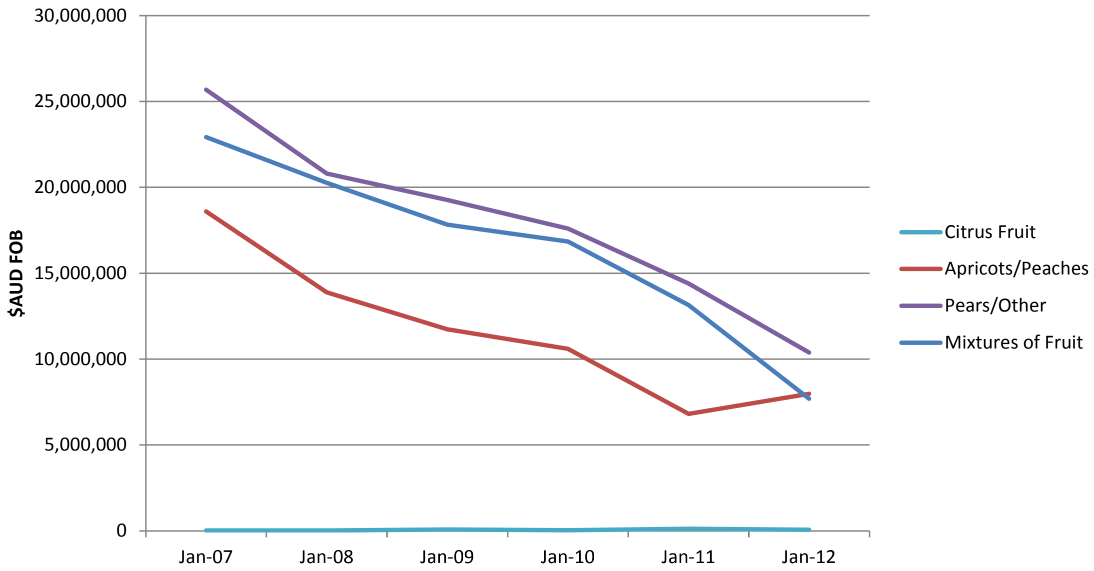


Source: ABS, trade data at the Standard International Trade Classification (SITC) level 5

At the same time as processed fruit imports have flooded into the Australian market, the industry's export performance has deteriorated significantly across all major categories of processed fruit (see Chart 2). Total exports are around 53% lower over the period 2008-12.

This export outcome essentially reflects the same cost-price squeeze facing processed fruit producers and growers in the domestic market (discussed below). That is, the same competitive pressures which have emerged in the past five years to erode domestic market share also mean that the ability of Australian producers to sell into overseas markets — where they must also compete with Chinese, South African and other canners — has been severely diminished.

Chart 2: Processed fruit exports



Source: ABS, trade data at the Standard International Trade Classification (SITC) level 5

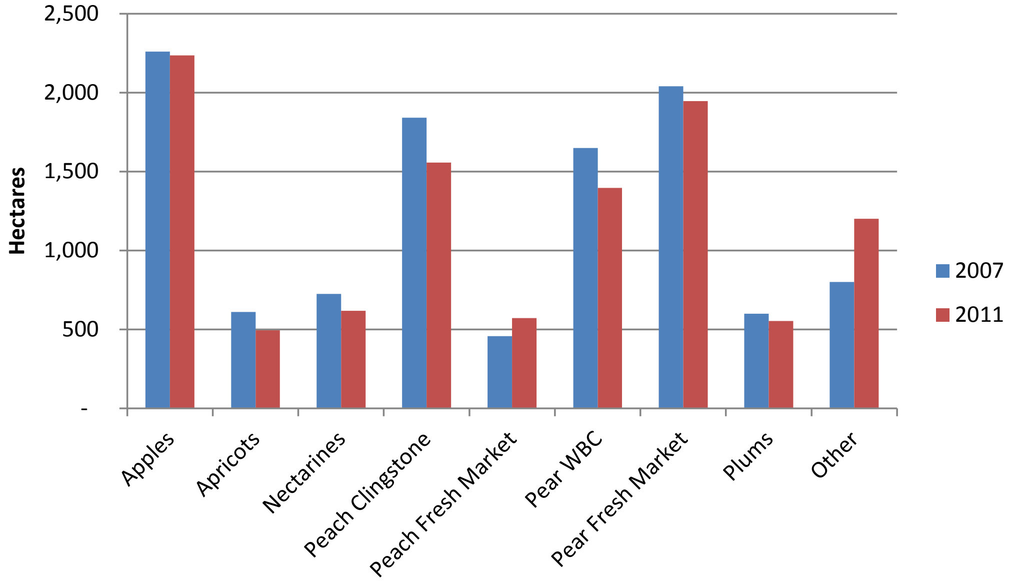
The extent of injury to the industry

The below section discusses major aspects of the financial challenges being faced by the processed fruits industry. While the evidence across the industry is stark, the WTO has notably stated that it is not necessary that every factor reflect a decline in the industry but that the overall picture demonstrates 'significant overall impairment' (Argentina – Safeguards Measures on Imports of Footwear, WT/DS121/AB/R, 1999).

There has been a considerable reduction in fruit plantings across the Goulburn valley over the past 5 years or so. This has occurred across the spectrum of fruits being examined in the inquiry. Between 2007 and 2011 overall plantings in the Goulburn Valley decreased from around 11,000 hectares to 10,600 hectares, a reduction of approximately 3.7% (Canned Fruits Industry Council of Australia data).

Importantly, this reduction has been particularly pronounced for larger canned fruit harvests such as peaches and pears which have decreased by about 15.4% and 15.3% respectively. The scale of broad scale harvest reductions is shown in Chart 3.

Chart 3: Goulburn Valley fruit plantings



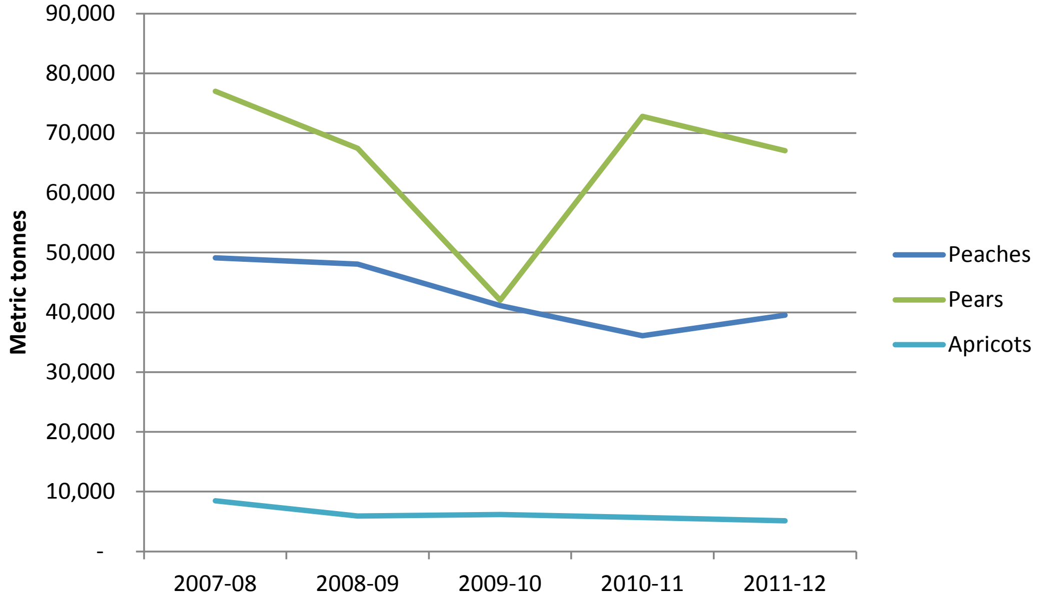
Source: Canned Fruits Industry Council

Consistent with this pattern, total agricultural production of deciduous fruits for canning has also fallen (see Chart 4). Domestic output of canned peach fruit fell by around 20% between 2007 and 2011, with pear (13%) and apricot (40%) production also decreasing significantly over this period.

It should be noted that this reduction does not account for the most recent supplier cuts announced by SPC Ardmona, where the number of supplying orchards has been essentially halved for forthcoming seasons.

This significant reduction will take some time to show up in the production data but is already evident in producer sentiment survey data (see below).

Chart 4: Total agricultural production of deciduous fruit (canning varieties)

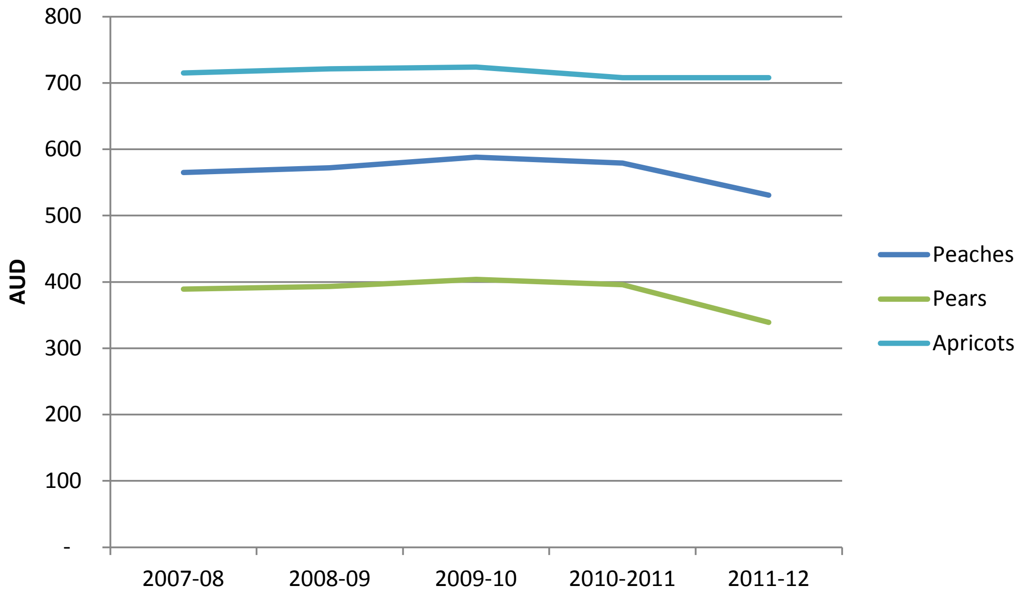


Source: Canned Fruits Industry Council

The prices received for canned fruit remain extremely soft; with prices for canning varieties for peaches, pears and apricots each declining since 2007. For instance, prices for canned peaches reduced from around $565 per metric tonne to $531 per metric tonne between 2007-08 and 2011-12.

The prices available to processed fruit growers over the previous 5 years are shown in Chart 5.

Chart 5: Net prices for deciduous fruit (canning varieties)



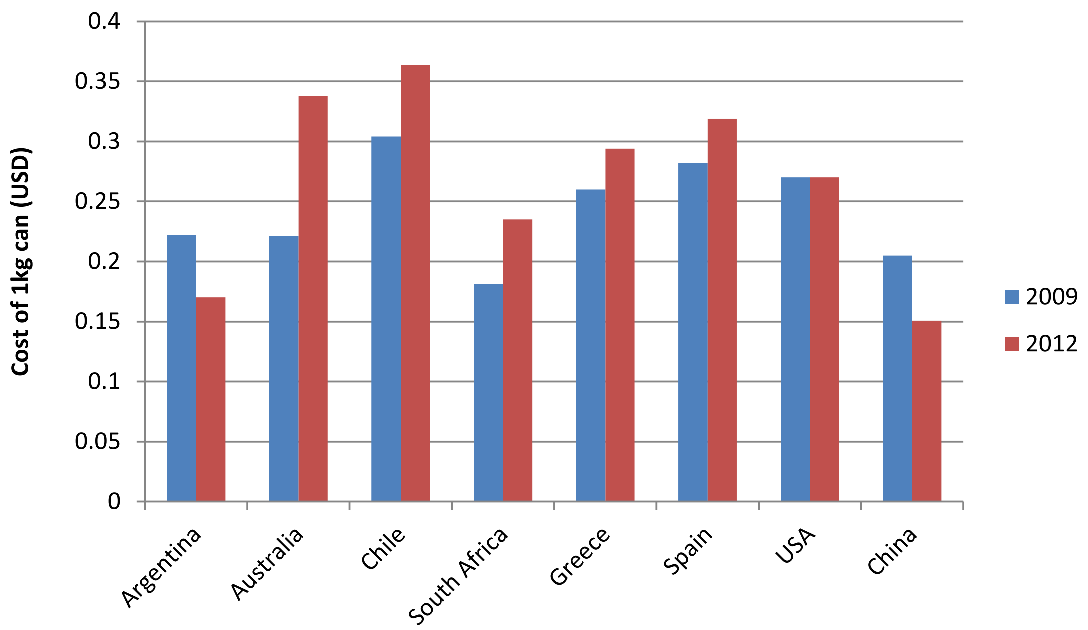
Source: Canned Fruits Industry Council

Coinciding with the substantial volume and price pressures facing growers, Australian canning operations are also confronting major cost disadvantages with overseas competitors.

Higher labour costs, smaller scale operations and the strength of the Australian dollar, among other factors, mean Australian canned fruit production is more expensive than in other countries. International cost data across processed fruit exporting countries suggests that these cost hurdles have intensified over the past few years, with the strong appreciation of the currency associated with the mining boom.

Australian production costs for canned peaches (per 1 kg can) were around 92% of the world median (see Chart 6). However, this deteriorated to about 120% of the world median in 2012. This cost disadvantage is even more marked compared to China and South Africa where large quantities of deeply discounted processed fruit imports are originating from. Australian producers have costs around 40% more than South African fruit canning operations and are more than twice as expensive as Chinese producers.

Chart 6: International cost comparisons for canned peaches



Source: Industrias Alimenticias Mendocinas SA Argentina & Canned Fruits Industry Council

The majority of cannery suppliers are small businesses with turnovers less than $250,000, with a small percentage of businesses having turnovers greater than $1 million. Such smaller businesses tend to have more limited ability to restructure their operations. While orchardists can over time change the fruit they grow, or shift into annual crops like cereals, the timeframes in which to undertake wholesale adjustments to their agribusinesses are lengthy. There is often a period of around 4-6 years before new fruit plantings become profitable (see Table 1).

Moreover, establishing and managing orchards involves considerable expense. This involves land preparation, planting, weeding, fertilisers and pruning, before the costs of harvesting and packing are incurred. In terms of new plantings and orchard restructures, ongoing annual maintenance costs must be met while the orchard is essentially non-productive.

The scale of these costs will be highly dependent on the size of operations and other factors like water availability. Some estimates place Australian orchard costs in Australia in the range of $50,000-$90,000 per hectare for commercial stone fruit and $40,000 per hectare for citrus fruit. In addition, annual ongoing on-farm maintenance can equate to around $22,000 per hectare and $16,000 per hectare for these fruit types respectively (Parliamentary Library of Australia research).

The scale of orchard operations in the Goulburn Valley may also place practical limitations on the ability of growers to shift into other non-fruit crops. Orchards in the region are predominantly small to medium sized landholdings and while this can provide sufficient scale for higher-density orchard businesses, land parcels may be cost inefficient for broadacre farming. These operational constraints suggest that the process of structural adjustment in the region in response to adverse market conditions could well be protracted and economically costly.

Table 1: Production timeframes for fruit varieties

Fruit	Years to production maturity	Commercial lifespan
Peach	6	12
Pear	5	Up to 100
Apricots	3	20-30
Nectarine	6	12
Orange	3 to 4	40-100
Lemon	8	Over 40

Source: Parliamentary Library of Australia research

A survey of fruit growers supplying SPC Ardmona undertaken by the Canning Fruits Industry Council in June 2013 illustrates the scale of financial distress being faced by canned fruit growers in the Goulburn Valley. Indeed, SPC Ardmona's cut back in suppliers this year will compound greatly on the financial difficulties facing growers.

Some key aspects of the grower survey were:

- *Declining orchard profitability* — About 56% of survey respondents reported that they traded at a profit in FY2012. This declined to 39% for 2013, and only 23% of 2013 cannery suppliers expect to make a profit in 2014. Around 34% of suppliers to SPC Ardmona in 2013 indicated they expect to make their third annual loss in a row in FY2014.

- *Indebtedness and capital constraints* — Approximately 40% of respondents have debt-to-equity ratios greater than 50%. These businesses thus have very limited capacity to raise additional capital, impeding their ability to effectively restructure operations following supply cancellations.

- *Reduced employment* — Industry respondents indicated that they have reduced their permanent workforce across both full time and part time positions in response to lower income expectations going forward. The Canning Fruits Industry Council has estimated that approximately 1500 ongoing positions (including casual seasonal work) will be lost from peach and pear orchards.

- *Heightened pest and disease risks* — A major concern raised in the survey was the increased danger presented by a major outbreak of pests and diseases in orchards if fruit is left on trees next year. Potential risks, which extend far beyond the immediate region, include pests such as light brown apple moth, oriental fruit moth, codling moth and Queensland fruit fly, as well as fungal diseases such as brown rot and black spot.

  The removal of fruit trees represents the most practical large scale option to manage phytosanitary and quarantine risks. This involves significant outlays from growers, who may be financial incapable to meeting the necessary costs. It tends to be the case that growers needing to urgently deal with these threats are those whose supply arrangements have been cut. The

Canning Fruits Industry Council has indicated that the costs of tree removal and necessary remediation could be in the vicinity of $3,500 per hectare up to 1000 hectares.

A summary of these industry issues, alongside specific WTO safeguard criteria, is set out in Table 2.

Table 2: Hurdles within the WTO safeguards framework

WTO hurdle	Requirement	Industry factors
That imports have increased	WTO provisions require evidence of an increase in imports, either in absolute terms or relevant to domestic production.	• SPC Ardmona is Australia's sole processed fruits canner. According to the company, its local market share has declined to 33% while imports of canned fruit have grown to 58%. • SPC Ardmona's export market volumes have declined by 90% in the past five years. • Across the industry more broadly, the value of imports has increased by around 54% and the value of exports decreased by 53% between 2008 and 2012.
That there has been serious injury to the industry, or the threat of serious injury	The Agreement on Safeguards contains a stringent 'injury' test. This requires evidence that increased imports (as set out under the specific Customs tariffs for processed fruit products) have caused 'serious' injury to the relevant domestic industry.	• There has been a severe rationalisation in the number of fruit suppliers to SPC Ardmona. For the 2014 growing season, supplying orchards have been halved. • A survey of Goulburn Valley producers indicates that only around 39% of growers will make a financial profit this year. Around 34% of suppliers to SPC Ardmona indicated they expect to make their third annual loss in a row in FY2014. • It is estimated that about 750,000 pear and peach trees in the Goulburn Valley may need to be removed to address pest and disease risks. New plantings can take around 4-6 years to be profitable.
That the increases in imports constitute an unforeseen development	Provisional safeguards can only be imposed where there are critical circumstances where delay would cause damage which would be difficult to repair.	• The strength of the currency has coincided with a softening of demand in the US and European markets with the global recession. This has led to major canning countries like China and South Africa targeting other markets. • The magnitude and suddenness of impairment to the industry appears well beyond what could be considered to represent normal market fluctuations.

WTO hurdle	Requirement	Industry factors
That critical circumstances exist which warrant provisional safeguards	Provisional safeguards can only be imposed where there are critical circumstances where delay would cause damage which would be difficult to repair.	• Canning provides a logistics architecture for the industry. • There is a significant link between a strong and sustainable food industry and employment opportunities in rural and regional areas. • Many orchards have reduced their permanent workforce in response to lower income expectations going forward. The Canning Fruits Industry Council estimated that approximately 1500 ongoing positions (including casual seasonal work) will be lost from peach and pear orchards.
That increased imports are causing serious injury	A causal link needs to be established. In this it must be shown that imports have caused, or are threatening to cause, serious impairment of the domestic industry.	• Low cost imports have essentially supplanted much of the market share of domestic processed fruit producers. • Orchardists have less flexibility than many other agricultural producers to quickly shift into other production structures. • There is often a period of around 4-6 years before new plantings (especially fruit) become profitable.

What measures would be necessary to prevent or remedy serious injury and to facilitate adjustment

Many fruit growers who supply the cannery in the Goulburn Valley currently find themselves in difficult financial circumstances with current market conditions. With SPC Ardmona's recent decision to drastically cut the number of suppliers, on top of ongoing incremental rationalisation, the profit outlook is poor across the industry. It is clear that some businesses will be commercially unviable with little equity and limited cash flow going forward.

In this difficult environment, it is inevitable that some growers will exit the industry — as has already occurred. This is an unfortunate outcome for many farmers which can exact a terrible toll on individuals and families and their community.

The introduction of immediate provisional tariff support on processed fruit products would be a useful start to help prevent further serious damage to the industry. This would be consistent with established procedures for undertaking inquiries by the Productivity Commission into whether safeguard action is warranted (Commonwealth of Australia Gazette No. S 297, 25 June 1998). This provides for provisional tariff increases for up to 200 days, which would be revoked when the Government reached a decision on the imposition of safeguard measures following receipt of the Commission's final report.

It is important to note that such support would benefit existing producers but not those who may be removing trees, transitioning into different markets or exiting the industry, and would therefore be 'locked out' of shorter term market opportunities. As such, additional structural assistance may also be required to help position the industry going forward.

As discussed above, there are substantial timeframes and costs involved in establishing new orchards or restructuring existing ones. Decisions made by growers in the short term, say over the next few months, such as removing uprooting orchards cannot be reversed, and to establish a new orchard is extremely costly. Accordingly, it is paramount that decisions on the nature and extent of assistance to the industry are taken with urgency and with a clear intention of providing regulatory and policy certainty.

Assessing the impact of regulation — whether those measures should be implemented

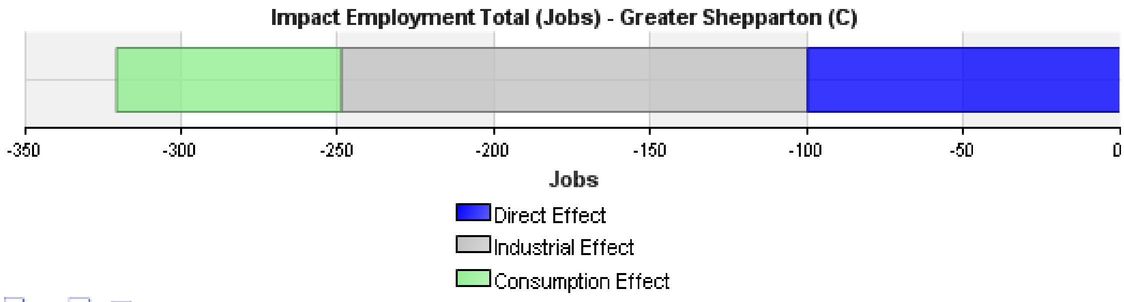
The importance of a sustainable agriculture and food manufacturing industry to the regional economy is highlighted in the significant levels of employment in farming and associated industries such as irrigation services, agronomists and other suppliers within the region. Employment in the agricultural sector in the Greater Shepparton and Upper Goulburn Valley areas totals over 7200 jobs (2011 Census), representing around 10.8% of overall employment across these regions.

It has been reported that more than 1500 jobs including seasonal work such as fruit-picking are expected to be lost. 533 part-time, casual and full-time jobs have already been lost on peach and pear orchard (D Gray, 'Future not so peachy but growers keen to stay', The Age, 10 June 2013).

According to REMPLAN Economic Impact Analysis using data from the ABS 2011 Census JTW Employment Data, ABS 2008 / 2009 National Input Output Tables, and ABS June 2012 Gross State Product, from a loss of 100 direct jobs in the Fruit Product

Manufacturing Industry Sector it is estimated that Greater Shepparton's annual economic output would decrease $82.690 million. From this direct contraction in the economy, flow-on industrial effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts would result in the loss of a further 149 jobs.

The decrease in direct and indirect output and the corresponding loss of jobs in the economy are expected to result in a decrease in the wages and salaries paid to local employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to further reduce employment by 72 jobs.



Total employment, including all direct, industrial and consumption effects is estimated to decrease by up to 321 jobs. This represents a Type 2 Employment multiplier of 3.210. That is, for every 100 direct jobs lost in the Fruit Product Manufacturing Industry Sector it is estimated that up to a further 221 jobs would be lost in the Greater Shepparton economy once flow-on industrial and consumption effects are taken into consideration (REMPLAN Economic Impact Analysis).

While domestic canning operations are concentrated in one company (SPC Ardmona), the supply chain across the processed fruit industry is relatively broad. It extends from canning operations, on-farm activities, and to agribusiness suppliers and other businesses. Employment within a region also impacts on other services like housing, education and health services. In this sense, fruit processing provides a form of logistics architecture for the region.

An important consequence of these linkages is that any further impairment in the processed fruit industry will have detrimental spill over impacts across the region. Simply put, a reduction in income to canners and growers, and attendant decreases in employment, will lead to reduced demand for agricultural suppliers and other industries, generating a further loss in employment.

The nature of fruit growing will also have a substantial influence on how ongoing economic losses in the region could manifest. Because fruit orchards involve relatively slow growing established trees, commercial production is less flexible than many other forms of agriculture. Crucially this means that there are greater risks that a loss of critical mass in the industry will damage regional economic sustainability and be difficult to repair. A loss of regional fruit production capacity involving the wide-scale removal of trees could essentially be 'locked in' for a long time.

Such considerations need to be carefully weighed up in deliberations over the merits of introducing safeguard measures and other forms of structural assistance for the industry. For a region heavily geared towards agriculture, the potential adverse consequences for overall economic activity are particularly acute.

Some additional matters

WTO frameworks

WTO provisions and their interpretation, including by the WTO appellate body, have taken a highly restrictive position on the application of safeguard measures. Many of the safeguard measures have been challenged in the WTO dispute resolution process. And most, if not all, cases have found the challenged measure to be in violation of WTO law.

As a result, the safeguards mechanism has proven increasingly impractical due to legal impediments.

There is a concern that such issues will come into play during this inquiry process and any resultant determination. This would serve to undermine the legitimate grievances of the industry concerning the substantial cost-price squeeze generated by the flood of imported products into the Australian market.

While limiting the use of the safeguards mechanism is an explicit intention of the underlying agreement — indeed, it is intended as a temporary, 'emergency action' — an overly restrictive and legalistic approach can be counterproductive to promoting welfare-enhancing trade liberalisation in world markets. For instance, it can encourage countries to be excessively 'cautious' in their commitments to ongoing trade reforms and to pursue alternative forms of redress. This can further add to the already complicated maze of (potentially distorting and discriminatory) international trade arrangements.

In this sense, improving how implementation of the safeguards mechanism corresponds to the intent of the WTO rules should be a longer term priority for countries as part of international trade discussions. Other worthwhile reforms to the global trade framework could include measures to improve the transparency of broader WTO processes and to enhance the provision of relevant trade data (for instance, on the level of tariff, non-tariff barriers and subsidies applying in agricultural and food markets). Such issues were recently highlighted by the Director-General of the WTO (speech at the University of International Business and Economics in Beijing on 20 September 2012) in the context of improving the integration of preferential trade agreements within the WTO multilateral trading system.

Many of these matters (which often go to issues of WTO jurisprudence) are clearly beyond the remit of the Commission in prosecuting its obligations under this inquiry. Crucially, however, they point to areas where concerted policy attention is required.

Terms of reference

The terms of reference for the Productivity Commission Inquiry into the Import of Processed Fruit Products concerning the application of safeguard measures (in line with our obligations as a signatory of the World Trade Organisation) are outlined in Commonwealth of Australia Special Gazette No S 297.

According to the Gazette, before recommending any safeguard measures the Commission must inquire and report on the following:

a) whether the conditions are such that safeguard measures would be justified under the WTO Agreement;

b) if so, what measures would be necessary to prevent or remedy serious injury and to facilitate adjustment

c) whether, having regard to the Government's requirements for assessing the impact of the regulation which affects business those measures should be implemented.

Under Section 6 of Gazette, the Commission has been asked to conduct a broad ranging inquiry, including public hearings, in "which importers, exporters, and other interested parties can present evidence and their view….as to whether or not the application of a safeguard measure would be in the public interest."

In response, the Commission has stipulated that in accordance with the Best Practice Regulation Handbook and the Productivity Commission Act 1998 it will consider the need to "achieve higher living standards for all members of the Australian community". In that context, the Commission will also consider the impact of safeguard measures on "fruit growers and other suppliers, downstream industries such as food services, grocery wholesalers and retailers, importers, local exporters and consumers"(pg 20 Productivity Commission Issues Paper).

It is essential that during the course of the Inquiry the Commission consider the varying degrees of impact on different stakeholders. The proportional impact of emergency safeguard measures will have a much greater effect on residents of the Goulburn Valley, than those living in Sydney. In line with the terms of reference, the Commission also needs to consider the socio-economic benefits of a sustainable domestic food industry and Australia's food security.