

**Response to the Safeguards Inquiry into the import of Processed Fruit Products and Tomatoes;  
Productivity Commission Accelerated Report, September 2013.**

Like so many others I am baffled by the inconsistency and lack of evidence for the recommendations made by the Productivity Commission following its Inquiries. It seems incomprehensible that the importation of the same product categories should be well documented, with reference to their timing, volume and trend, as well as the terrible damage to the local fruit manufacturing industry (and their orchardist suppliers) in terms of the Australian grown product replacement with imports on supermarket shelves and in the food services sector and the loss of SPCA's export markets. Despite acknowledgement and quantifying of this damage, the Productivity Commission report still does not argue for the imposition of the WTO sanctioned, legitimate Safeguard measures.

One has to ask if this was a response based on a philosophical aversion to any support ever proffered to an Australian industry, no matter what the corruption or failure in international or domestic markets. The unconscionable use of market power by the two supermarkets who together own some 80% of the market share for food retailing in Australia and the subsidies paid to most other food growers and manufacturers in the competing economies makes it extraordinarily difficult for Australia's food manufacturing sector to find "a level playing field". The WTO members recognised this and consequently the Safeguard and Anti-Dumping Measures were put into play, however successive Australian governments and the Productivity Commission (PC) in particular seems incapable of making use of these measures despite our circumstances in various industry sectors meeting the criteria.

The outcome is particularly disappointing in the case of this inquiry given SPCA expressly requested that some other body that was in fact expert and free of preconceptions be tasked with undertaking this emergency inquiry. The past performance of the Productivity Commission illustrates their reluctance to come to conclusions and recommendations that their counterpart in New Zealand would proffer to their government. Consequently New Zealand growers and their fruit manufacturing industry has not suffered the same damage, damage that was irreparable in the case of too many other Australian food manufacturers.

The previous Labor government refused to substitute the Productivity Commission for another, expert agency, but instead sought to strengthen its capacity and the possibility of a fair and reasonably argued outcome with an additional commission member. Clearly this was not sufficient to obtain a factual, properly analysed and balanced outcome.

The report contains errors of fact as well as erroneous judgement. It is also extremely concerning that SPCA commercially in confidence data was made public by the PC. This reinforces the view that the PC has little understanding or respect for the realities of surviving in the highly competitive commercial environment in which our manufacturers operate in Australia.

On page 2 of the report No.64 the PC states "Australia's procedures for safeguards inquiries go beyond what is essential under the WTO Agreement". In making further inquiries about this surprising admission I was informed that no, Australia does not expect or require "its procedures" to go beyond what is essential ...." So if this is not the case, what sloppy reporting includes the

statement in the first several pages of their report. They then compound the impression that Australia requires a higher bar to be hurdled by its businesses compared to the requirements generally applied in other countries. On page 9 of report No.64 they state “Applying a high standard is consistent with the stated position of the Australian Government, which as a member of the ‘Friends of Safeguards Procedures group of WTO member countries has stated that it has concerns with the poor quality of some countries’ determinations on provisional safeguards”.

Sadly, the PC has delivered two reports that are of “poor quality”, but it is very unlikely that other countries are likely to complain. The consequences of their poor reporting are likely to be the demise of the last remaining Australian fruit manufacturing business in Australia, an outcome which will serve the interests of our WTO member market competitors very well.

As also stated on page 9, of report No.64: “As set out in the terms of reference, provisional measures can be recommended only where it is found that ‘critical circumstances’ exist such that delay in applying measures could cause damage that would be difficult to repair. Although this is a necessary condition it is not a sufficient condition for the imposition of provisional measures. A recommendation for provisional measures also requires a preliminary determination that there is *clear evidence* that increased imports have *caused* or are threatening to cause *serious* injury to the domestic industry”. (Their emphasis).

So what is it about bulldozing recent plantings of manufacturing fruit varieties that does not equate to “clear evidence” of “serious injury” to our orchard industries. Mr Ross Turnbull, from a Goulburn Valley family growing best practice fruit for SPCA for over a century writes to the PC: “Most of the plantings were on “state of the art” open Tatura trellis systems. Some of the blocks had only just reached full cropping capacity, so orchards in which we had invested close to \$1million will be ripped out” (and the trees have since gone before the bulldozers). P1 of Submission to the Productivity Commission Processed Fruit Safeguards inquiry.

The Turnbull orchards are just one of more than 60 where fully productive fruit trees were destroyed after SPCA had to write down more than \$200m in unsaleable production over two consecutive years. Apparently however, because SPCA did not nominate a precise date for closure of its entire enterprise, it cannot be assessed as having suffered or be likely to suffer “serious injury” from the increased imports. This is an extraordinary conclusion. The more than 800 workers at SPCA factories at Shepparton, Kyabram and Mooroopna. The more than 100 growers and their thousands of pickers, pruners, packers and the transport and coolstore sectors understand what “serious” feels like. It culminates in bank foreclosures and lost employment. Newly planted fruit trees take up to five years to bear commercially, and so a rolled and burnt orchard cannot be kick started to produce for the local manufacturer in the next season.

There also seems to be some reluctance to support this fruit processing industry because of views held about the canning technology itself. Canning is old fashioned, and so SPCA must not have invested sufficiently in new processes and so it is all their own fault is implied in the PCs remarks. It important then to cite the facts about Ardmona foods, the SPCA plant in Mooroopna. This factory was the first in the world to pack its fruit in fruit juice, to pack fruit in plastic snack packs and larger packs and it built the Goulburn Valley Brand and Ardmona brand as a sales leader in canned tomatoes. With innovative advertising processed fruit consumption in Australia increased when most of the rest of the developed world’s consumption contracted. The industry needs rescuing

now, before more trees are sacrificed. Given the costs of containing pests and diseases on orchards, the owners have no choice but to remove trees if they no longer have a contract to supply fruit to the manufacturer. Flooding the fresh fruit market with processing varieties is not a viable option.

The rise in the value of the dollar, which was unprecedented and sustained, led to supermarkets being able to access imported product at a fraction of the Australian same product price, and in some cases these low import prices were further discounted through dumping (a case still under investigation). This escalation of the Australian dollar was unforeseen, sudden and substantial and led to the unanticipated, substantial volume of imports. It stimulated the supermarket's move to more generics or home brands on their shelves, with stated objective of these home brands reaching 80% of offerings in the big two supermarkets. The origin of the content of the home brands can be disguised with Australia's inadequate and confusing labelling laws, and hence the substantial diminution of the Australian content and the stockpiling of imported canned product for future sales. At the same time the market power of the supermarkets meant that access to the very cheap imports allowed them to squeeze the prices offered to the Australian supplier such that they and their suppliers, the orchardists were forced to survive on barely cost covering returns.

The seriousness of the economic impact of the closure of SPCA is highlighted in the confidential report entitled; 'Economic Impact of withdrawal of SPC Ardmona Operations from the Greater Shepparton Region' completed by Essential Economics for the City of Greater Shepparton:

- Job losses estimated at 1,000 Full Time Equivalent (FTE) positions, including 360 FTE jobs at SPCA Facilities and 640 FTE jobs in supporting sectors (agriculture, transport and logistics, retail etc) through the employment multiplier effect (industrial and consumption). Additionally 1,050 casual seasonal positions at SPCA will be lost.
- Increase in the unemployment rates for Greater Shepparton from its current level of 8.6% to 11.0%. This is well above the unemployment rates for Regional Victoria (5.7%), Metropolitan Melbourne (5.4%) and Victoria (5.5%) in Dec 2012.
- Reduction in regional economic output of \$165 million pa, including \$105 million associated with SPCA suppliers (560 businesses – including 230 fruit growers and pack houses) and \$50 million in other spending in the economy through the multiplier effect.
- This level of contraction represents 5% of the annual Gross Regional Product for the affected parts of the GV region (mainly the municipalities of Greater Shepparton and Moira), with up to 6% of all businesses likely to be impacted directly, and many more impacted indirectly.
- Reduction in industry training opportunities – such as SPCA's induction-to-leadership training program, which is available to all staff and seasonal workers.
- Increase in vacant industrial land supplies by 36 hectares which will raise Greater Shepparton's already high vacancy rate to approximately 40%, creating a significant surplus of land which may negatively impact on property and land values, and compromise Council's long-term strategic planning for new industrial nodes.

I urge the PC to revise its most damaging recommendations in the light of evidence of its shortcomings. Unfortunately the fruit manufacturing industry is almost to the point of irreparable damage, and time is of the essence.

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