

## **Response to the Productivity Commission call for additional submissions on the Safeguard Inquiry into the Import of Processed Tomato Products**

I draw the Commissions attention to the requirement to report on whether there is serious injury and what measures would prevent or remedy serious injury and facilitate adjustment.

On the 18<sup>th</sup> September the PC tabled its Accelerated report on the Safeguards Inquiry into the Import of Processed tomato Products. In the report the Commission confirms that the industry has suffered serious injury;

### **FINDING 2.7**

*Although the industry is suffering serious injury, there is no compelling evidence of critical circumstances that would warrant a provisional safeguard measure. (pg 43)*

The question then posed by the PC is whether the implementation of safeguard measures would remedy the injury and facilitate adjustment.

In the Accelerated report the Commission has acknowledged that:

*imports have increased relative to domestic production to a degree that could satisfy the requirements of Article 2.1 (pg 44)*

The unanswered question is what part imports have played in causing the serious injury.

In the Consideration Report entitled; Application for a dumping duty notice – prepared or preserved tomatoes exported from Italy released on the 1 November, the Anti Dumping Commission states:

### **5.2 Price effects**

*The Commission has verified the financial information submitted by SPCA in its application and considers it to be reliable for the purpose of assessing material injury. (pg13)*

I refer you also to the Anti-Dumping Commission report Preliminary Affirmative Determination Report No. 217

### **5.4.1 The Commission's assessment**

*The Commission is satisfied that, based on the information submitted in the application, SPCA has demonstrated that there appear to be reasonable grounds that prepared or preserved tomatoes have been exported to Australia from Italy at dumped prices. (pg18)*

After considering all the information presented the Anti-Dumping Commission has not only found serious injury to the industry but that it has been caused by cheap “dumped” imports of prepared or preserved tomatoes

The Anti-Dumping Commission Preliminary report goes further stating that:

*SPCA appears to have experienced injury in terms of:*

*loss of sales volumes; loss of market share; price depression; price suppression;*

*reduced revenues; reduced profits; reduced profitability; declining return on investment; reduced capacity utilization; declining assets employed; and reduction in capital investment.*

The Anti- Dumping Commission's Preliminary report reviewed the market information on prepared or preserved tomatoes and found:

*that SPCA's domestic sales volumes of prepared or preserved tomatoes decreased significantly from 2009 to 2011, before a slight increase being experienced in 2012. The decrease coincided with a steady growth in the volume of Italian prepared or preserved tomatoes. Also notable is the decline in the volume of prepared or preserved tomatoes from other countries.*

*It is reasonable to consider that SPCA's lost sales volume that can be attributed to allegedly dumped imports from Italy also impacted on its market share. This is supported by the steady reduction in SPCA's share of the market compared to the inverse situation shown for the Italian imports. (PP20-21)*

In the Accelerated report the Productivity Commission concludes:

FINDING 2.6

*The available evidence at this preliminary point suggests that the injury to the domestic industry producing processed tomato products in packs not exceeding 1.14 litres was caused by a combination of factors, including:*

- a. ongoing competition from imports*
- b. retailer private label strategies*
- c. extreme weather events*
- d. decreased exports. (pg41)*

In response to the above comments I draw your attention to the following information.

a. On the issue of competition that the Commission outlined as the causal factors the Commission confirms that the price difference between the SPCA product and imported products has increased during the last 5 years:

*The average retail unit value of SPC Ardmona branded products has been higher than the retail unit value of imports in all months since January 2008. (pg 31)*

The Anti-Dumping Commission viewed the situation differently in its Affirmative report indicating that it believed that SPCA had worked hard on prices to compete with imported products and has suffered as a result of dumped imports:

*The Commission found that as a local supplier of proprietary label products, SPCA is driven to remain price competitive by submitting promotional activities or promotional spending plans with the retailers. .... (pg14)*

*The Commission therefore considers that lower retail shelf prices for Italian imports stemmed from dumped export prices. As a consequence, SPCA's selling prices to the retail sector were impacted as it sought to remain price competitive with its retail shelf prices in an attempt to stem further losses of volume and market share to dumped imports from Italy. (pg15)*

b. Since the announcement of the crisis situation facing SPCA in relation to preserved fruit and tomatoes the Company has been doing everything possible to turn things around on the domestic market with the major supermarkets.

The increased public media attention raising public awareness particularly in relation to preserved fruit product has forced the two major supermarkets Woolworths, Coles and Aldi to change from using imported product in home brands preserved product to using SPCA product. However, at this stage I am not aware that tomato product has had the same outcome. The difficulty remains that while the option of cheap imports is available to our supermarkets and food services sector, the price offered to SPCA for the home brands is sharply depressed and barely above the costs of production. The downward pressure of cheap imports on the domestic prices of similar product seriously erodes Australian supplier viability. That is why duties or tariffs are needed on the imported product doing harm in order to introduce a more level playing field.

c. The flooding that occurred in northern Victoria in 2010-11 season did have a significant impact on raw product availability. However as tomatoes are seasonal crops this event did not have long term effects on the following season's production or the market.

d. Competition from cheap imports also occurred in the global market. SPCA has experienced difficulty in continuing exports because of the cheaper product from countries such as Italy circulating in the international market place. SPCA exports declined from some 30% to near zero over the period in question.

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