



## **Processed Tomato Products Safeguards Inquiry**

Productivity Commission  
Level 12, 530 Collins Street  
Melbourne  
VIC 3000

Dear Madam/Sir,

I am writing to you in support of the Australian processing tomato industry submission to the current Safeguard Inquiry.

The Victorian Farmers Federation - Tomato Section, commonly known as the "Australian Processing Tomato Growers" (APTG) represents the interests of growers defined as those growers producing tomatoes for commercial processing into paste, diced, peeled, dried, sauces, soup or juice. Growers do not produce tomatoes for only one category of product, but all tomatoes are mechanically harvested. The growers are located in northern Victoria (Shepparton to Kerang/Boort and Echuca/Rochester to Colbinabbin) and also at Jerilderie in NSW.

These growers (currently 11 in number) are family owned businesses usually employing 3-6 people in the business directly. Tomato growing is the dominant enterprise in their business. Grower numbers have declined as expected but what is injurious is the remaining growers have lost confidence in expanding production or reinvesting in on-farm capital to meet the demand.

APTG understand there are two significant revenue streams generated by the tomato processing sector; tomato paste, an internationally traded commodity product and tomato whole peel and diced products, which is the value added component of their operation. Following the recent decline in food processing in Australia and subsequent closure of food processing factories, all processing tomato growers must hold contracts with the only processing tomato company remaining in Australia, called Kagome to supply fruit.

APTG understood tomato paste was, at best, a marginally profitable part of Kagome's business, given the size of their major competitor, the Californian industry which operates in a benign growing environment. However, the relatively large volume of tomato paste produced by Kagome contributes significantly to their overhead cost recovery.

The part of the business which generates a significant margin is the wholepeel and diced component of their processing business. There are a number of reasons for this, best outlined by Kagome Foods themselves.

However, it became demonstrably clear that Kagome's major customer for the value added products, SPC Ardmona, have literally been hit by a bus in the form of cheap product entering the Australian market. It is transparent to all and sundry this imported product does not reflect the true cost of production in the originating country/ies.

These exceptional circumstances have led Kagome to implement and forecast a major reduction in the price, of up to 15%, contracted for processing tomatoes over the last 2 years and next 3. Although we believe and can demonstrate we are operating at world's best practice, this decision will effectively mean that the Australian processing tomato growers will become unsustainable. The knock on effects will be considerable, both within the individual family operations, but also the local community, as our business moves to a relatively low value and reduced risk type of farming. This outcome would be completely opposed to the oft repeated mantra of Australia becoming the "food bowl of Asia".

On behalf of the Australian Processing Tomato Growers and the local community, can I implore you to consider immediate safeguards for our industry to ensure it can retain its position as one of Australia's most progressive primary industries?

Yours sincerely

Graeme Lehmann

Chairperson, APTG