



Australian Government

Australian Government response to the Senate
Select Committee on Australia's Food Processing Sector report:

Inquiry into Australia's food processing sector

November 2014

The Australian Government thanks the former *Senate Select Committee on Australia's Food Processing Sector* and its then Chair, Senator the Hon Richard Colbeck, for the inquiry into the competitiveness and future viability of Australia's food processing sector. Although the inquiry was conducted during the previous Parliament, challenging economic circumstances still remain in domestic food processing. Since being sworn in, the new Australian Government has initiated a number of policy and programme measures to establish the right environment for food processing businesses to prosper.

The Australian Government sees food processing as a critically important part of the Australian economy. Figures from the Australian Bureau of Statistics and the Australian Bureau of Agricultural and Resource Economics and Sciences show that the food processing sector¹:

- accounts for 24 per cent of total manufacturing employment;
- is the largest contributor to total Australian manufacturing value added;
- processes 38 per cent of Australia's agriculture, forestry and fishing output; and
- is worth approximately \$19 billion in export revenue each year.

The Australian Government also acknowledges the many pressures faced by food processing businesses as well as the unprecedented growth opportunities arising from Asia's rapid economic development. We consider that Australian food processing businesses can build their international competitiveness with economic settings that keep domestic manufacturing costs down; promote a level playing field; provide essential infrastructure; reduce regulatory burdens; and eliminate barriers to export markets.

The Australian Government notes:

- all thirty-five recommendations in the Senate Select Committee's Majority Report;
- all three recommendations in the Government Senators' Dissenting Report; and
- all of the ten recommendations in Senator Nick Xenophon's Minority Report.

Over the course of the 44th Australian Parliament, the Australian Government will be carefully developing policy on many of the detailed issues covered in the Senate Select Committee report and will continue to consider all insights brought to attention by the Committee.

The Australian Government has commenced implementing a number of election commitments to boost business competitiveness as well as assist the food processing industry, with many initiatives featuring in the 2014–15 Budget. Of particular benefit to Australia's food processing sector, the Australian Government has work underway or due to commence shortly:

- to repeal the carbon tax to reduce cost pressures on domestic manufacturing;
- to cut red and green tape by \$1 billion a year annually, including the establishment of a regulation repeal agenda, to enhance national productivity;
- to progress COAG deregulation agenda projects in consultation with Victoria and South Australia in areas of beef and dairy processing;
- to invest an additional \$100 million in Rural Research and Development Corporations;

¹ Figures for the food processing sector do not include the production of raw materials and primary produce from farming and fishing sectors.

- to provide \$15 million over four years in rebates to small exporters for Export Certification registration costs;
- to restore funding to the Export Market Development Grants Scheme, starting with an initial boost of \$50 million (over four years), to encourage firms, including manufacturers, to establish and grow export markets;
- to achieve, as soon as possible, the entry into force of free trade agreements with Japan and the Republic of Korea following the recent conclusion of negotiations;
- to conclude a free trade agreement with the People's Republic of China;
- to conclude the Trans-Pacific Partnership as a stepping stone towards a longer term goal of an Asia-Pacific free trade area;
- to develop an Agricultural Competitiveness White Paper to set out a strategic approach to promoting investment and jobs growth in the agriculture sector;
- to establish an industry-led *Food and Agribusiness Industry Growth Centre* — announced as part of the Industry Innovation and Competitiveness Agenda — to address sector-wide impediments to productivity and competitiveness in the food and agribusiness sectors and drive innovation links between business and researchers.
- to review Australia's competition laws and policy to identify ways to deliver more competitive markets, drive productivity and support the growth and prosperity of efficient businesses, both big and small;
- through the Legislative and Governance Forum on Consumer Affairs, to extend the unfair contract term protections currently available to consumers to small business;
- to create a Small Business and Family Enterprise Ombudsman with real power;
- to review coastal trading with the aim of identifying ways to reduce the regulatory burden in the shipping industry;
- to introduce the \$50 million Manufacturing Transition Grants Programme to assist businesses transition to new and expanding high value-added manufacturing sectors;
- to establish the \$155 million *Growth Fund* to encourage the growth of new industries and economic diversification in Victoria and South Australia following the closure of local automotive manufacturers;
- to establish the \$484.2 million new *Entrepreneurs' Infrastructure Programme* to support businesses to improve their competitiveness and commercialise new ideas; and
- to establish the new \$476 million *Industry Skills Fund* to assist small and medium sized businesses to successfully diversify and improve competitiveness in a global market.

Majority Report

RECOMMENDATION 1

The committee recommends that all state and territory governments develop a definitive timeframe for the Council of Australian Governments reform agenda for a National Seamless Economy and actively engage to ensure that momentum for implementation of the reforms is maintained. In particular, the committee urges participants to ensure movement on the integrated transport reforms, including reforms to the heavy vehicle registration process.

The Australian Government notes the recommendation.

RECOMMENDATION 2

The committee recommends that the government expedite those recommendations of the Deegan Report which have not been rejected to position Tasmania to have access to a globally competitive freight system.

The Australian Government notes the recommendation.

RECOMMENDATION 3

The committee recommends that following the introduction of the carbon price on 1 July 2012, the government monitor:

- how the big emitters pass on the costs into the food supply chain; and
- the profitability of businesses in that supply chain, including to farm gate.

The Australian Government notes the recommendation.

RECOMMENDATION 4

The committee recommends that the government initiate an independent review of the competition provisions of the *Competition and Consumer Act 2010*. The committee recommends that the review should include consideration of:

- the misuse of market power;
- creeping acquisitions;
- predatory pricing; and
- unconscionable conduct.

The Australian Government notes the recommendation.

On 27 March 2014, the Minister for Small Business announced the final terms of reference for the Government's 'root and branch' competition review of competition policy. This is an independent review led by Professor Ian Harper assisted by an expert panel.

The Harper Review has a broad remit. It is examining the competition framework, which is a vital part of a strong economy that drives continued growth in productivity and living standards. The review has scope to consider whether key markets, such as grocery markets, are competitive and whether changes to the law are necessary to enhance outcomes in those markets.

RECOMMENDATION 5

The committee recommends that the review of the CCA consider the inclusion of the functions of a food supply chain ombudsman within the ongoing role of the ACCC.

The Australian Government notes the recommendation.

RECOMMENDATION 6

The committee recommends that the major supermarkets in Australia voluntarily compile and establish benchmarks within their corporate social responsibility documents to measure the level of satisfaction of their suppliers in dealing with the supermarkets. External agencies should be engaged to conduct regular supplier satisfaction surveys, the results of which should be publicised by the supermarkets in their regular reporting cycles.

The Australian Government notes the recommendation.

RECOMMENDATION 7

The committee recommends that the government expand the application of food labelling requirements to require all primary food products for retail sale to display their country of origin, in accordance with recommendation 40 of the Blewett Review.

The Australian Government notes the recommendation.

RECOMMENDATION 8

The committee recommends that the government reform country of origin labelling requirements for food so that these requirements are clearer, more transparent and focus on the consumer's understanding.

The Australian Government notes the recommendation.

RECOMMENDATION 9

The committee recommends that, as part of the review of the *Competition and Consumer Act 2010* (Cth) recommended in Recommendation 12, government should specifically consider whether the 'safe haven' provisions in section 255 are sufficiently focussed on the consumer's understanding of country of origin claims on food products.

The Australian Government notes the recommendation.

RECOMMENDATION 10

The committee recommends that the government consult with industry about the use of the term 'defining ingredient' as a method of determining the country of origin of a product.

The Australian Government notes the recommendation.

RECOMMENDATION 11

The committee recommends that industry and government investigate the potential use of smart phone and barcode technology to provide additional information about the country of origin of food products.

The Australian Government notes the recommendation.

RECOMMENDATION 12

The committee recommends that the government move mandatory country of origin labelling requirements for food to a specific consumer product information standard under the *Competition and Consumer Act 2010*, consistent with recommendation 41 of the Blewett Review.

The Australian Government notes the recommendation.

RECOMMENDATION 13

The committee recommends that, when presented with direct evidence, the Australian Competition and Consumer Commission investigate claims that country of origin labels on processed foods imported into Australia under free trade agreements and other international agreements are misleading and/or deceptive.

The Australian Government notes the recommendation.

RECOMMENDATION 14

The committee recommends government develop a strategic focus on developing access to export markets for the food industry and facilitate an affordable cost environment for industry to access these markets.

The Australian Government notes the recommendation.

RECOMMENDATION 15

The committee recommends that the government take the lead in pursuing a more appropriate level of mutual recognition of commercial and regulatory standards and audit outcomes, possibly through the use of the Global Food Safety Initiative standards benchmarking process.

The Australian Government notes the recommendation.

RECOMMENDATION 16

The committee recommends that industry and DAFF Biosecurity consider establishing a forum in which they can meet to discuss and resolve factors that inhibit export market access, growth and development.

The Australian Government notes the recommendation.

RECOMMENDATION 17

The committee recommends that the Senate Rural and Regional Affairs and Transport References Committee examine the new biosecurity legislation to assess whether it will appropriately address the problems of different standards applying to imported and domestic products and consider monitoring the implementation of relevant measures.

The Australian Government notes the recommendation.

RECOMMENDATION 18

Tertiary and higher education providers should engage more directly with food processing businesses about curricula and outcomes to ensure that the skills developed through further education better match those required by industry.

The Australian Government notes the recommendation.

RECOMMENDATION 19

The committee recommends that the government consider, in consultation with state and territory governments and industry, expanding existing programs promoting the study of, and career paths in, science to include food science and technology.

The Australian Government notes the recommendation.

RECOMMENDATION 20

The National Food Plan should explicitly deal with the labour supply issues facing Australia's food processing sector.

The Australian Government notes the recommendation.

RECOMMENDATION 21

The committee recommends that the government encourage and assist the agricultural and food processing industry in setting up a peak council of industry bodies so that the industry may, amongst other things, more effectively engage with primary, secondary, tertiary and higher education providers about potential career paths in the agrifood sector.

The Australian Government notes the recommendation.

RECOMMENDATION 22

The committee recommends that the government continue to promote and investigate partnerships and programs that connect recently arrived migrants and international workers to jobs in the food processing sector, particularly to jobs in rural and regional centres.

The Australian Government notes the recommendation.

RECOMMENDATION 23

The committee recommends that the government investigate the possibility of extending the class of employers able to access the Seasonal Worker Program to include employers in the food processing sector.

The Australian Government notes the recommendation.

RECOMMENDATION 24

The committee recommends that the government investigate whether the skills recognition frameworks used for skilled migration programs, such as the Australia and New Zealand Standard Classification of Occupations code system, are appropriately recognising food processing skills and qualifications.

The Australian Government notes the recommendation.

RECOMMENDATION 25

The committee recommends that the government require the officers responsible for assessing 457 Visa applications for the food processing sector to have specific knowledge of the sector, its requirements, and the markets within which it operates.

The Australian Government notes the recommendation.

RECOMMENDATION 26

The committee recommends that the government review the flexibility provisions under both the Fair Work Act 2009 and modern awards, with a view to increasing the ability of employers and employees to negotiate flexible working arrangements, particularly with respect to penalty rates, split shifts and minimum hours for seasonal industries.

The Australian Government notes the recommendation.

RECOMMENDATION 27

The committee recommends that the government investigate the effectiveness of research and development in the food processing sector and in doing so consider the following questions:

- has there been a market failure of research and development in the food processing sector?
- are food processors relying on research and development conducted by primary producers?
- is there scope to develop a cooperative research and development approach in the food processing sector similar to rural research and development corporations?
- do the current arrangements for research and development funding support equity of access, particularly for small and medium enterprises?

The Australian Government notes the recommendation.

RECOMMENDATION 28

The committee recommends that the government consider providing research and development assistance specific to the food processing sector.

The Australian Government notes the recommendation.

RECOMMENDATION 29

The committee recommends that the government reviews tax and regulatory settings to support innovation.

The Australian Government notes the recommendation.

RECOMMENDATION 30

The committee acknowledges the establishment of the Food Processing Industry Strategy Group and encourages its active engagement of leading food manufacturing and processing companies to encourage large scale investment in food manufacturing in Australia.

The Australian Government notes the recommendation.

RECOMMENDATION 31

The committee recommends that the government review the funding it has allocated for research and development in the Australian food processing sector.

The Australian Government notes the recommendation.

RECOMMENDATION 32

The committee recommends the government place a stronger focus on development of markets and assistance for market access in a much more cost effective way for developing business.

The Australian Government notes the recommendation.

RECOMMENDATION 33

The committee recommends that the government prioritise completion of trade agreements, noting those currently being negotiated particularly in the Asia–Pacific region.

The Australian Government notes the recommendation.

RECOMMENDATION 34

The committee recommends that the government continue to lobby for the reduction of tariff, non-tariff barriers and subsidies in export destinations through the World Trade Organisation. Pending the passing of the US Farm Bill this year, the government should consider the immediate and ongoing level and impact of these assistance packages.

The Australian Government notes the recommendation.

RECOMMENDATION 35

The committee recommends that a Brand Australia program be considered to assess its effectiveness in promoting the food and grocery sector. In addition, the committee recommends that a campaign be developed promoting Australian food and grocery products overseas based on their unique provenance, premium quality, assured safety and environmental sustainability.

The Australian Government notes the recommendation.

Government Senators' Dissenting Report

RECOMMENDATION 1

Government Senators reject any call for further reviews of the Fair Work Act. A comprehensive, independent review has just been completed, which found that the legislation does provide a number of avenues for flexibility.

The Australian Government notes the recommendation.

RECOMMENDATION 2

Government Senators encourage food processing industry employers who require greater flexibility of their workforce to utilise the existing mechanisms allowable under the Fair Work Act.

The Australian Government notes the recommendation.

RECOMMENDATION 3

Government Senators recommend that the Federal Government increase consultation with, and education of, the food processing sector about industry opportunities and obligations in relation to the carbon pricing mechanism.

The Australian Government notes the recommendation.

Minority Report by Nick Xenophon Independent Senator for South Australia

RECOMMENDATION 1

The Federal Government monitor the effect of the Basin Plan on food production and processing as a matter of priority, and in particular South Australia.

The Australian Government notes the recommendation.

RECOMMENDATION 2

The Federal Government take into account all areas of the food production and processing industries when forming the National Food Plan, and ensure that the Plan focussed on action-based outcomes.

The Australian Government notes the recommendation.

RECOMMENDATION 3

The Federal Government, as a matter of urgency, appoint an appropriate body to review the condition of lines for rail freight transport in Australia, with particular attention to a cost/benefit analysis of rail versus road transport and the benefits of implementing an auction-based system similar to the one currently operating in the US.

The Australian Government notes the recommendation.

The Australian Government is currently developing a White Paper on Agricultural Competitiveness and is also expected to receive an audit of Australia's nationally significant infrastructure by Infrastructure Australia. If any further analysis is required, it would be considered in the context of the Government's responses to those initiatives and would also be informed by State Government freight strategies.

RECOMMENDATION 4

Amend the Australian Consumer Law to deal effectively with unfair contract terms in contracts involving small businesses and farmers, with further consideration be given to including a broad statutory definition of unconscionable conduct in the Australian Consumer Law.

The Australian Government notes the recommendation.

RECOMMENDATION 5

The Federal Government implement a mandatory Supermarket Fair Trading Code of Conduct, to be overseen by a Supermarket Ombudsman or the proposed Federal Small Business Commissioner and backed by financial penalties under the Competition and Consumer Act for breaches of the Code.

The Australian Government notes the recommendation.

RECOMMENDATION 6

Amend the Australian Consumer Law (ACL) to provide greater protection for suppliers who have suffered detriment after making a complaint to the ACCC and by placing the onus on the party complained of to prove that the adverse action was not in any way related to the complaint.

The Australian Government notes the recommendation.

RECOMMENDATION 7

Amend the *Competition and Consumer Act 2010* to provide for a general divestiture power whereby the ACCC and other affected parties could, in appropriate cases, apply to the Courts for the breakup of monopolies or dominant companies that engage in conduct that undermines competition.

The Australian Government notes the recommendation.

RECOMMENDATION 8

The Federal Government establish definitions for health related terms such as 'light' and 'fresh' be established.

The Australian Government notes the recommendation.

RECOMMENDATION 9

There needs to be an urgent overhaul of Australia's country of origin food labelling laws to provide truthful and useful information to consumers.

The Australian Government notes the recommendation.

RECOMMENDATION 10

Amend the *Customs Act 1901* to reverse the onus of proof so as to require an importer to prove the imported goods have not been dumped or subsidized for export.

The Australian Government notes the recommendation.