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The Australian Companies Institute Limited (AUSBUY) Submission into "Made in Australia" and "Truth and Clarity of Origin on Food Labels"

Prepared by
In Collaboration with Corporate Members and Friends of AUSBUY

Representing Australian Owned and Made Producers,
Manufacturers and Service Providers
Across Major Industry Sectors

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A.
Introduction – The Story So Far

1. ACIL (AUSBUY) welcomes the opportunity to provide information about how "Made in Australia" and "Country of Origin" labels are perceived in the market place and how these can be better managed to ensure that consumers can make informed decisions.
    a. It is testament to the concern of Australian consumers that this issue continues to be a concern to them.

    b. Labelling laws are symptomatic of much deeper issues in our economy. Other countries manage their national interests much more effectively, while we open our doors.

2. *At what cost*: Country of Origin Labelling has been raised as an issue by successive Federal Governments since the late 1980s. At the most recent Inquiry by the Senate into Truth in Labelling in October 2009 ACIL, ACIL (AUSBUY) was the only industry group that advocated Country of Origin on labels. Others followed. Nothing has been done.

    a. The GFC has exacerbated the problem as other countries scramble to sell off shore.

    b. In the past five years has meant our labelling laws have been subject to wider misuse from imports, substitution of local sources, lack of discipline and "truth" by local and off shore suppliers.

    c. The GFC has meant other countries regard our relatively low import duties as opportunities to export to Australia and keep their manufacturers productive.

    d. When preparing this paper ACIL endeavoured to identify the volume of imports versus exports in the past ten years.
        i. Data for exports was not available in the same format so the presumption that we export most of our food is based on a false premise
        ii. ABS figures over the past 10 years show growth in imports of 75% and 2012-13 were $10.1B. The current YTD to March is tracking ahead of last year.
        iii. Cheap imports are further exacerbated by the high A$ over which we have no control. (See appendix page 33)

    e. Imports identified were largely value added, which means the majority of the profits and jobs are off shore.

f. Our exports are in decline relative to those countries competing in the same emerging markets in Asia.
    i. New Zealand and the USA have given priority to their own interests and now capitalise on this growth.
    ii. In many cases these countries represent our interests off shore.
    iii. As every food commodity export except rice is majority controlled beyond the farm gate by foreign interests, the implications of the real value to Australia of our food commodities controlled off shore, and how Australia's national interests are represented are seriously in question. Our farmers bare the cost of decline. See page 35 for further discussion regarding Food Security. And Wheat Farmers letters page 38.

g. Aggressive behaviour by major retailers that replace local products with imports, the increase of private label brands, and our open door policy with low import tariffs of between 0% and 10% have exacerbated the problem for local processors and growers.

3. *Consumers do not trust our labels:* ACIL (AUSBUY) receives enquiries weekly about what Country of Origin if "imported", and what "Made in Australia" really implies, whether it is applied to food or other related products.

    a. Over recent years AUSBUY has conducted on-line surveys asking consumers to identify what they want to see on labels. The key findings from ACIL's (AUSBUY) research shows:
        - growing anxiety among consumers about the source of our food
        - where it is made
        - where it is sourced
        - who really owns it
        - do not trust the 51% rule for Made in Australia and substantial transformation rule
        - consumers use bar codes as an easy way to identify Australian goods
        - want simple, consistent, readable, reliable labels
        - want products ethically grown
        - concern about the use of Genetically Modified foods
        - concern about the substitution of imported foods for brands processed here instead of sourcing locally grown produce
        - packaging that uses palm oil that is harvested from native forests
        - misrepresentation by imported products such as olive oil

   b. *Are our gatekeepers resourced to look after our interests?*
      i. Gatekeepers such as the FSANZ, Federal ACCC, State Governments (through consumer laws), and Local governments (for point of sale misdemeanours) have not kept pace with the rapidly changing market place.
      ii. Bio Security Australia and AQIS have been under resourced and often rely on information provided by the importing company of country rather than independent analysis.
      iii. There is little supervision of import labels.

   c. Consumers provide frequent examples of in-store displays or labels that appear deceptive. Some of these are featured in the discussion that follows.
      i. Where appropriate these are referred to the ACCC or FSANZ. To date the ACCC has taken no action. Examples are provided.

4. *Who controls the assets?* Foreign interests control every major food sector. There will always be examples cited of the success of local operators, but the volumes are small relative to our production capacity and our control of the supply chain, especially in value added products.

   a. Australia has no global major food processing companies. The last was Fosters.
      i. 90% of our beer brands are foreign owned. Kirin Japan owns 45% of beer brands here. SA Miller UK the other 45%.
      ii. Treasury Wines is listed on our stock exchange and is majority owned by an off shore investment consortium.

   b. Until March this year 75% of our dairy brands were foreign owned. With the loss of Warnambool Cheese to Canadian interests Australian ownership is less than 20%.

   c. Every major food commodity except rice is majority controlled beyond the farm gate in our export markets.
      i. Other countries and global companies manage and benefit from our assets.
      ii. The Japanese dominate in our beef exports beyond the farm gate, processing and selling off shore.
      iii. Cargill USA family owned and JB Swifts (Brazil) dominate in meet exports and the former in Grain exports.

d. Heinz relocated to New Zealand two years ago to service the Australian market, and products made there now feature imported and local on labels here, as our labelling laws require.
    i. When they dismantled their factories here to sell to India they even sold the rat proof fencing.
    ii. As New Zealand exports more food than it produces consumers question "imported" from where?

e. In the past year Simplot has threatened to move it operations to New Zealand blaming the high cost of production here.

f. Simplot and Nestle own brands such as Edgells and Uncle Tobys formerly Australian owned and sourced.
    i. The last large Australian food company was Pacific Food brands sold to Simplot and Nestle two decades ago for $1Billion.
    ii. These assets would now be worth an estimated $15Billion.

5. *Have we managed our assets well?* We have condoned the sale of key assets and complete control on the pretext that Australia needs foreign "investment", and the need to make our businesses more productive and competitive.

    a. Other countries have not been so naïve. The largest Australia owned food business is around $4Billion.
        i. Fonterra, New Zealand has the largest dairy company in the world at $14Billion which is farmer cooperative in New Zealand and managed off shore as a public company.
        ii. This has been as result of long term planning over nearly four decades. See attached article in Appendix page 39.

    b. It is imperative that our labelling laws are disciplined and can be trusted. As we open our market further with Free Trade Agreements to allow food and related products to be imported which do not meet our standards and allow those countries to buy business assets here.
        i. Our gatekeepers are integral to this process.

6. *Failing to plan means we plan to fail*: We respect our international obligations, yet as a country we have no long term food strategy, and as is evident by the closure of major foreign owned manufacturers in the non-food sector.

    a. *Now Seize the Day*: The food industry and the ancillary support industries could provide opportunities to reinvigorate our economy in manufacturing and on our farms but only if we have greater control of the assets.

b. If we are to revitalise our economy and get Australians and our assets working for Australia again, opportunities await if we support our farmers and our food processors.
   i. They are key to revitalising our manufacturing industry here to balance the loss of mining income, to add value to commodities and to provide equitable return to our farmers.
   ii. This will not be done without a change in how we manage and secure these industries, skills and jobs here. Other countries smaller than Australia have done this effectively.

c. A fair and disciplined approach to labels and control of the supply chain has the potential to increase productivity and reinvestment by our locally owned businesses across the economy and offer a fair return to our farmers.

7. *"Australia" Sells:* Increasingly the word is used and without discipline.

a. In an increasingly competitive market place we need to manage the "trust" inherent in our nation's name as it has been built by successive generations of our farmers and processors.
   i. This also means how the word "Australia" is used on labels and how they are managed.

b. Global companies and countries now dominate in the marketplace to the extent that a recent paper by the Department of Trade cites Australian iconic brands.

c. While the paper gave clear insights into the issues of brand management, it is revealing that in the Government paper none of the Australian "icons" are Australian owned and many are now made off shore.

d. This has implications for how as a country we manage and benefit from our FTAs, especially if we are not representing our own interests off shore or own the assets here. See page 35.

e. There appears to be no regard to "protect" the word Australia.
   i. More recent takeovers in the past two decades such as Nestle (Swiss), Cerebos (Japan) and Kirin (Japan) have taken a short term view and products infer their "Australian-ness", even when the produce is imported and the company foreign owned. (Even purportedly local companies deceive as will be highlighted on page 26).

f. This discussion is timely as we anticipate Free Trade Agreements which are not "fair" and disciplined will only exacerbate the problems for local businesses further as imports replace local products on shelves, or replace our farmers' produce as manufacturers save costs.
    i. Examples will be provided where this has already happened See pages 14 to 18 and consumers' responses.

g. We have evidence that Asian countries value the words "Made in Australia" to the extent that they will manufacture off shore, export here, have one process done here and repackage to export to themselves with the words "Made in Australia".
    i. Any wonder our consumers are concerned about how our labelling laws are managed!

8. *Who controls the supply chain of limited resources*: If processors and consumers prefer local produce then they must compete with the owners of the assets here. There is evidence that if the local product is controlled by foreign interests here they will limit access for local use and send off shore.
    i. We have lost critical mass in the supply chain.
        1. For example, China (Bright Foods) owns the supply chain for dry fruits and Singapore (Olam) owns 50% of our almond crop.
        2. This means that local suppliers are forced to source ingredients off shore that should be available locally.

b. As we prepare this paper Goodman Fielder (1854) is under pressure to sell.
    i. To stay viable over the past few years it has sold off assets and sections of the business such as its biscuit ranges.
    ii. Wilmar International Singapore is the largest Asian Agribusiness and is an investment holding company is bidding. Another Australian brand potentially foreign owned.

c. This is not about price. It is about access, and there are no rules in place to ensure our processors have or will have priority.

d. Again, this is another implied reason why consumers do not trust the word "imported".

e. Realistically there will be some seasonal variation and some items/ ingredients which are no longer grown or made here.
    i. However, this should not be an excuse not to put country of origin on labels.

9. *Good Corporate citizens:* AUSBUY also recognises there are some major foreign owned companies operating here such as Kraft and Kelloggs that have made a significant contribution to the food industry over many decades.

10. *The not a level playing field*: Australian food production and manufacturing standards are among the highest in the world.

    a. Our large land mass means we are able to grow produce virtually all our needs throughout the year somewhere in Australia, yet we have an open door policy to imported produce in our growing seasons.

    b. Whereas our trading partners restrict access to their markets in competition with their own and labelling laws provide the devise to "protect" their own.
        i. For example, the USA Federal Government has to approve labels on proposed imports. This strategy is used as a delaying tactic to reduce competition with its own businesses and farmers.

11. *Food Security what it really means:* Note, in early 2009 ACIL (AUSBUY) initiated a discussion across the food industry about the issue of Food Security.

    a. Food Security is now discussed in terms of supply, but the key issue identified by this group was the decline in on farm income and rising debt based on the false assumption that we export more than 50% of our food commodities.

    b. The issue of food security has not been researched since 1998, yet we make policy decisions often on "motherhood statements" that we export most of our food.
        i. We simply have not counted the decline in on farm income and rising debt and have only recently been made aware of this in the dairy industry.
        ii. Policies based on a false premise place increased pressure on local producers and processors.
        iii. Sixteen years later, the majority of our export commodities are controlled by foreign interests operating here beyond the farm gate.

B.
Inertia to Change and the Consequences of Policies Poorly Applied

1. To some extent we have created our own problems. Over the past few decades we have opened our doors to off shore competitors. It is an indictment on past decision makers that for a country that grew its wealth through agriculture for the first 180 years, Australia has no major global food companies.

    a. The countries buying our assets have dozens if not hundreds of businesses in any one sector. When we sell a company it represents a significant proportion of our national assets.

    b. Our high AUD$ has compounded the problem, together with our low import duties around 0% to 10% according to DFAT in March 2014.

    c. All this has happened prior to the FTA deals with South Korea (import duties up to 500% + and reducing over 15 years) and Japan (full details not available at the time of writing this document, although it will be able to buy up to $1B in assets other than land without reference to the FIRB).

    d. These imports will increasingly compete with our own farmers and processors.

    e. Or they can simply buy the businesses here and sell to themselves.

2. The consequences of the loss of ownership means that while manufacturing in 1957 represented 30% of GDP; in recent years it has fallen from 4.9% of GDP to 2.9% largely because of our high dollar and cheap imports. Food exports in the past represented 80% of our GDP. Today they are around 20% to 30%. Most of our food exports are commodities which are controlled beyond the farm gate by foreign owned companies.
    a. We export undifferentiated commodities and import value added products.
    b. Those representing our commodities off shore will favour their own interest. See letter from wheat grower page 38.

C.
Questions from the Parliament Addressed:

The Key Issues in the Terms of Reference:

1. **<u>Enough information for informed purchasing decisions</u>**

    a. We need to *keep labels simple, disciplined and consistent*. It is all too easy to overlay information on labels which only serve to confuse consumers, often deliberately.

    b. Country of Origin is one of the key elements that should be addressed and better managed.

    i. Australia's reputation is recognised globally for its clean, green growing environment relative to other countries.

    1. As a country we should be managing the brand from paddock to plate and give consumers the choice to support local producers and processors.

    ii. In recent years as imports are substituted for local produce as an excuse for manufacturers to cut costs here.

    1. For example in recent years SPC Ardmona sourced processed tomatoes off shore to save manufacturing costs here. They did identify the product from Italy.

    a. Consumers responded to this strategy when they stopped supporting the brand and sales across the whole business.
    b. SPC threatened to close factories here and move off shore. Consumers were blamed.
    c. However since May 2013 the new Managing Director changed the strategy to source on shore and confirm to consumers the products are Australian sourced by region and processed.
    d. Sales have increased significantly.
    e. Integrity in the brand is being rebuilt.

    1. Note AUSBUY members have not betrayed the integrity of their brands as a means to cut costs.
    2. Australian ownership is increasingly their competitive advantage.

c. *There is increasing consumer concern about food safety and the growing conditions of imported food*. These include:
    i. The recalls of frozen food imported from New Zealand made from imported and local ingredients that contained traces of chemicals not used in New Zealand and glass fragments.
        1. As New Zealand has a FTA with China in food and exports more food than it produces.
            a. Consumers do not trust "imported" if made in New Zealand.
    ii. The issue of GM foods are part of the food safety discussion and an increasing concern to many consumers.
        1. These issues are related to supply chain management and impact on current farm practices here.
        2. Despite what the science says as conveyed by the four global supply companies that own GM seed sources, *there are implications for Australia's reputation as a clean green growing environment which is regarded our major advantage*.
        3. Consumers are aware that there is a lack of long term information about the real productivity of GM crops versus non GM foods, and promised yields are not supported by evidence from US farmers who claim they "have contaminated their land for decades".
        4. *The problem is exacerbated by the push to feed Asia based on volume not quality or sustainability*.
            a. *If we allow the sale and management of land to off shore interests this problem will be exacerbated and will damage "Australia" as a selling point*.

d. *Too many messages confuse consumers*. Since the last Labelling Inquiry in 2009 there has been much discussion about various issues such as health claims, traffic lights etc, endorsement by the Heart Foundation, Halal etc.
    i. While each issue is important to educate consumers, too many messages on labels are confusing and costly for companies.
        1. Compliance needs to be efficient, rigorously supervised.
        2. Claims are not necessarily tested here, or are endorsed by groups consumers do not trust, especially if there is a fee paid to use an endorsement.
        3. Endorsement by the Heart Foundation is used on products which have high sugar levels.
            a. This damages credibility.
        4. Feedback from consumers here is that they resist buying local products if they are exported to countries that require Halal endorsement.

a. The problems are for local businesses with off shore markets sales are not large enough for the local business to produce export only packaging.

e. *Disciplined and well supervised labelling laws should limit statements which are "not true" or "infer" a consumer benefit.*
   i. Currently "Made in Australia" infers a product is made and sourced here.
      1. Examples will be provided below where labels are not "true" and they remain in the market place.
   ii. Consumer education is mostly done by the media. "Checkout" ABC highlighted how these issues confusing consumers.
   http://www.youtube.com/watch?v=y4lCC_6Ol9M

f. *Consumers are concerned about fresh produce labelling even though over a decade ago "Product of CoOL" was made mandatory for all fresh food sellers.*
   i. In practice these rules applied to the larger fresh food retailers.
   ii. However, in recent years as we imported more fresh produce in our growing season, these in-store disciplines have not been applied.
   iii. For example, kiwi fruit was imported in Australia's growing season in 2013 from New Zealand, USA, Italy and France.
      1. These imported products were under the 60g weight required from local suppliers, and were substituted for local product in the local growing season in stores that had been the traditional local produce market.
      2. The produce at point of sale was *not identified as imported* and consumers had to rely on a small label of each fruit, or if not applied "trust" that is was local.
      3. The images below show no signage on the fruit.
      4. "Product of xxxxx" was not applied over a range of products.
      5. These images were taken over several days. The ACCC and Food Standards Australia and New Zealand were advised. See examples on next page.

g. The ACCC advised that "*the fact that a produce has no country of origin label, or it is concealed, does not of itself raise concerns under the ACL. We would have been concerned if the circumstances surrounding the display of the produce intended to give an overall impression that the produce was from a country which it was not*".

Case 1

No signage no label

Label of fruit small

Not all fruit labelled

Imports in season

Cherries on display no signage


USA box uncovered by consumer

Sign added after complaint

No label on fruit unreadable label

Signage on display


Does not match that on the fruit

2. The practical implications of compliance

a. *The seasonality of food and source* of supply is a major issue for many food processors.
   i. In 2009 there has been some discussion that the country from which the majority of the food or main ingredient is sourced over a three year period would suffice.
      1. It would be difficult to measure this, especially if the supplier recognises the advantage of deceiving consumers and knows there are not systems in place to review labels or few repercussions if false and misleading.
   ii. The problem is in recent years ownership of the supply chain excludes businesses from sourcing local produce.
      1. We have condoned the loss of control of critical mass in key sectors exacerbated by our open door policy to imports. Examples have been cited previously.

b. *Educating consumers about changes has not been effective.* Even though many elements of our labelling laws have been in place for many years, consumers still do not understand them and increasingly do not trust them.
   i. Radical change will only exacerbate the confusion in the market place.
   ii. *There needs to be clear and enforceable rules about where country of origin appears on labels, the size is readable (minimum 8 point), and the message believable*.
   iii. Some practical industry suggestions include:
      1. when the *use by date* is applied to goods, the source of the goods is also applied in the same panel.
      2. This would mean processors do not have to change labels for each season.
      3. All the countries from which the ingredients represent more then 10% of the product are identified.

c. Currently local and imported presumes that 51% of the goods are substantially transformed here, it does not presume more than 51% of the foods are grown here.
   i. As we open our doors to imports the level of interest in labelling laws is rising, and with this are ever more ways to circumvent them.

d. "Common sense is missing": In some instances businesses claiming to be local dismiss "common sense" on labels which only adds to confusion and consumer trust in our labelling laws.
   i. These include labels that add elements such as the Australian flag, the word Australian or the Australian bar code (93) to "infer" products are Australian for busy consumers. The examples below are misleading.
      1. The Australian flag is used liberally to infer a product is Australian even if it is fully imported and foreign owned.
         a. *In the USA the flag cannot be used for commercial purposes and its use is strictly supervised by the Federal Government. It is treated with respect.*
      2. The case below was presented to the ACCC and was deemed not to contravene and current rules. Even though it is not food is illustrates the lack of rigour (care) in our system.
         a. The Australian flag was used on the front with the words Australian owned, there was no address, only a company name and a mobile phone number and a 729 bar code (Israel).
         b. It is in direct competition with local manufacturers who comply by the rules.
      3. With regard to bar codes, any changes made to labelling laws will add expenses to businesses already under pressure.
         a. However if businesses were confident that these changes would help differentiate "ethical" suppliers they would have a clear advantage in the market place.
         b. They would need to be assured of the support of gatekeepers to control compliance in a timely manner.
         c. This is discussed further below in recommendations.

Case 2

Only contact details

Israel bar code

Australian flag and owned here

4. The word Australian and a local address were used with a foreign code e.g. 799. A USA bar code from a company that claims to be 100% Australian.
    a. There may be no other source for this product, but this is an example of misuse of messages.
    b. This company claims to be 100% local and using the word Australian on their web site and packs sell fully imported goods with USA bar codes.

Case 3

These two products come from the same company, use an Australian address, promoted as “Now all Australian” on the front, use the flag and kangaroo on the reverse side and display a USA bar code for fully imported products.

Silver label reads “Now All Australian and so much better”. This really is creative license!

5. Consumers look for the 93 bar code assuming it is Australian.
    a. However this can be used on fully imported and foreign owned goods as long at the company has registered to buy the 93 bar codes here.
    b. Note, with regard to bar codes, any changes made to labelling laws will add expenses to businesses already under cost pressure.
    c. However businesses were confident that these changes would help differentiate "ethical" suppliers and they would have a clear advantage in the market place, and would comply.
    d. They would also need to have the support of gatekeepers to ensure compliance. This is discussed further below in recommendations.

Case 4

Back of pack:

- Danish seafood using 93 code. Front of pack: Danish seafood brand Ocean Blue with a wide product range.
- In the seafood cabinet there was only one other brand (Tassal) a local public company.
- The second locally owned brand (Huon Aqua) was no longer on sale in store.
- The two local businesses ranges were in direct competition with the import.
- Price is not the issue. Local products are competitively priced.
- The Danish product has travelled half was round the world and from an EU Country is subsidised.

3. <u>Reduce cost of compliance burden</u>

a. The burden is on those who do the right thing because they must compete with products that use a range of devices and consumer tags to infer something they are not, or business practices that add burden to local suppliers.
    i. The excuse that Country of Origin is a problem is not a problem for stores producing private label goods that replace local brands on our supermarket shelves. Retailers use country of origin on home brand products, while other suppliers do not.
        1. The private label strategy world-wide is to provide good, better, best price points.
            a. This means that the cheaper private label products are sourced off shore (usually Asia – China, or South America – Chile, Peru) sold at the lowest price point.
        2. The better end products that compete directly with foreign and local brands are more likely to be sourced be sourced here and identify product as local.
            a. Major retailers usually the country of origin on these products.

b. The argument is that retailers have the volumes to comply with country of origin on private labels.
    i. Many of the local businesses required to produce private label products do so in direct competition with their own brands.
        a. To ensure they retain the critical mass in their manufacturing local suppliers are obliged to supply private label products.
            1. If they do not meet the retailer's price the retailer sources off shore.
            2. The retailer does not compensate the local supplier for intellectual property or reinvestment in equipment.

c. The ACCC is responsible at the Federal level to manage compliance. Australian owned businesses do not operate on a level playing field and gatekeepers add to the burden giving off shore interests or deceptive retail practices "fair" hearing.
    i. The process is cumbersome and leads to loss of market share and efficiencies.
    ii. Problems occur not just from the judgements, but from the protracted time it takes to receive a decision, often over many months giving the importer the benefit of the doubt. In the meantime commercial damage is done to local suppliers.

1. Examples of fresh produce that were not labelled at point of sale were provided to the ACCC in late 2013 as on page 14.
2. Several cases had been prosecuted for deliberate misinformation. For example Coles was fined for deliberately signing imports with Product of Australia.
3. Prosecutions are rare relative to the level of non compliance.
4. Examples of no signage on import fruits presented to ACIL (AUSBUY) by concerned consumers elicited a ruling that the label on the fruit was sufficient, even though the labels were not readable. See page 14.
5. In response to the complaint the ACCC deemed there was no case. It appears that *"omission does not require contrition"* (AUSBUY) and is allowed.

d. In the USA products cannot be imported until their labels have been approved by the Federal Government or its subsidiaries. This delaying tactic often means the potential buyers are no longer interested, and the market opportunity and access is lost as products are often deemed to be in competition with local suppliers.
   i. New Zealand also stops the importation of products in the food industry that are in competition with local manufacturers.

e. The retailers who select product for stores could also be responsible for stricter "ethical" labels.

f. *Who is really representing Australian interests?* A further problem in key industry sectors is that the critical mass is dominated by off-shore interests.
   i. Local issues are not raised by industry groups other than AUSBUY. Where local interests work together they educate consumers and have sought government rulings on product descriptions.
   ii. One example of an industry that has the critical mass here is the olive oil industry, which competes with imports especially from Italy and Spain which have do not necessarily export pure olive oil.
      1. The local industry, speaking as one identified that many products claiming to be pure olive oil, extra virgin olive oil.
      2. This issue was presented to the ACCC. A brief discussion is appended. See page 32.

4. ***Our labelling laws circumvented by staging imports through third countries***

a. In the past decade local producers and manufacturers have had to deal with increasing competition off shore largely based on price not quality. This has been further exacerbated by our high A$ as cheap imports compete with local processors and growers.

b. We share our labelling laws with New Zealand, but these laws have not recognised the increase in imports into New Zealand from China under their Free Trade Agreement.
    i. New Zealand exports more processed foods than it grows and our labelling laws do not indicate the real source of these foods.
        1. There have been several cases of food scares from products such as mixed frozen vegetables. These have alerted consumers and many are wary to buy New Zealand produce.

c. The closure of Heinz factories here several years ago to set up in New Zealand highlighted that global companies will source and manufacture where they can make the most profits.
    1. Our communities and growers are yet to recover the loss of that business in regional Victoria and Queensland.
    2. Heinz products are now made in New Zealand to supply Australia, but as we share our labelling laws the real source of the "imported" component is not identified.

Imported and local

1869 USA

Imported and local vegetables

Front of pack

5. ***<u>The issue of international obligation should not preclude Australia from supporting and managing our own interests</u>***

a. While this paper is about labelling laws the issue has wider application in our trade as we open our doors to companies and countries that play to a different set of rules.
    i. Every dollar spent on goods which are in competition with our own and do not meet our standards put our businesses, jobs and skills at greater risk.

b. Other countries manage these issues much better than Australia does while still appearing to "meet international obligation" because they give priority to their own long term interests.
    i. We continue to fail to do this.
    ii. *We have an obligation first to our own people and businesses, and the right to defend and manage our rules, especially as we expect our locally owned businesses to comply.*

c. The examples below show how businesses have had to adapt to global policies, and how consumers are increasingly concerned about the source of their food.
    i. They question where the money really goes and who really benefits when products are falsely labelled.
    ii. They place our own farmers and businesses under increasing pressure.
    iii. Anti -competitive behaviour is entrenched in the supply chain and we have failed to manage our own rules.
        1. The GFC has simply highlighted our vulnerability.

d. When the EU was formed, Australia did not seek reduction in tariffs to our historic markets. The loss of these key markets has not been replaced.
    i. Some businesses have adapted:
        1. In 2004 the farmer cooperative that established SPC over 100 years ago set up a factory in Spain to sell fruit grown in Spain into the EU market as the brand had been locked out of a long established market. The benefit of those sales would have been returned to Australia.
        2. Coca Cola Amatil inherited this market when it took over the SPC brand. As this business is 29% owned by Coca Cola USA there is no assurance that the benefit of these sales return to Australia.

e. History shows us Australia has not recognised the consequences of our short term policy approaches where we invariably pay. We can learn from other countries who give priority to their own.
    i. Our closest neighbour New Zealand sort and gained an amendment under the WTO to waive exports tariffs to the EU. The action had immediate ongoing sales results.
        1. Australia has done nothing to gain access to former markets.
    ii. New Zealand gained an embargo on imported tomatoes from Italy under the WTO last year because they were dumped.
        1. Operating from a single desk with national authority does make a difference rather than dealing with the needs of various States and interests.

    iii. SPC sought support from the ACCC to stop the dumped tomatoes here and after many months the ACCC reluctantly put a 6% to 9% tariff on Italian imports. Our exports to the EU have more than 20% tariffs.
        1. As a result of a response which took several months, Australian growers missed opportunities to supply our processors here in our growing season. The issue continues to place pressure on the viability of our growers and processors as they lose critical mass.
            a. Growers have diversified, but this does not compensate for loss of key local markets in difficult trading times.

f. Countries within the EU now sell products here that replace local products on our shelves. Local retailers have been complicit in replacing locally sourced products with imports.
    i. Local brands must now compete with these subsidised products.
    ii. If retailers can make more money from imports they limit the choices consumers have to support Australian businesses.
        1. For example, the majority of Coles jams offer and spreads are imported EU brands and private label. There are no medium sized Australian companies. Woolworths offers three local brands – Beerenberg, Dick Smith and Hanks (all AUSBUY members).
            a. The influx of imports competing for space remains an ongoing battle for local suppliers.
        2. Local businesses represent less than 10% of biscuit sales.
            a. Even larger local businesses such as Goodman Fielder divested its biscuit business.
            b. This opened space for more imports.

iii. Over 80% of the goods sold in supermarkets are foreign owned and over 50% imported replacing goods that could be sourced here and assist local businesses' productivity and jobs security.
    1. Imports from countries such as the UK, Poland, Romania, Greece, and Spain are replacing local brands on supermarket shelves. These speciality products are no longer restricted to specialty retailers.
    2. Many compete directly with local smaller processors that do not have the opportunity to defend their brands. They must meet the price of imports to retain market access though their products are of the highest quality and integrity, are manufactured and sourced here, offer good value for money and are competitively priced.
    3. The dominance of UK management for example in Coles has meant local brands are replaced with UK brands keeping UK manufacturers employed at the expense of Australian businesses. This does not just apply to food imports.

g. Many Australian owned businesses survive by being innovative. Local products presented to retailers are copied off shore with no recompense for invasion of intellectual property rights.
    a. This is occurring not just in private label goods but in branded products.
    b. Local suppliers have no recourse to such behaviour.

h. This is not about giving consumers "choice". The images below were taken in Coles dairy and deli section early in 2014. This is not about price. It is about opening our doors to countries that look after their own.
    i. Danish butter is now the dominant brand in the supermarket's dairy section, and is cheaper than the local product (Australian sourced but majority foreign owned brands).
        1. How can products travel half way round the world and compete on price?
        2. Other countries subsidise their farmers and recognise the need to for secure agricultural and processing industries.
    ii. In the deli cabinet there were no local products available only Danish and Greek cheese options. This does not giving consumers choice even though these products were labelled with country of origin. This was over a six week period. Complaints from consumers were finally heard.

iii. The same retailer did respond to complaints by consumers when they offered prawns from China instead of Australia. Consumers chose not to buy the frozen product and declared their concerns to staff.
iv. Local retailers actively promote their support for Australian producers. Actions speak louder than words.

i. Goods imported from Indonesia were sold in Australian stores in competition with our own suppliers.
    i. Confectionary sold in Australia in competition with local suppliers in a pack "For Sale in Indonesia Only"
    ii. While there are no rules to stop these kinds of imports and we open our doors to more competition, our local businesses will decline further.
    iii. These products should have been stopped at point of entry and not allowed to be sold here.

j. The following examples further highlight the labels misrepresent where product is sourced and who really owns them. These are in direct competition with local suppliers that source and process within Australia.

1. Fountain (Cerebos) Japanese owned presented sauce made from local and imported ingredients and the distributor advised AUSBUY these were US tomatoes, fully imported.
2. In addition the Australia day pack uses the flag and state “enjoyed by Australians since 1906”. And “The taste of Australians for generations”.
3. Foreign companies capitalising on Australian consumers desire to support our own.

The consumer phoned Masterfoods (Mars Corporation) to query why one label had made in Australia from local and imported ingredients (LH image) and one had Made in Australia (RH image) (inferring the product is sourced here). The response to both the products was a blend of Australian and USA tomatoes. The LH image was the older pack and gave a true representation of were the food was sourced. The use of the map of Australia is also misleading on the second pack.

D.
Summary of Recommendations:

a.
Key Objectives Defined:
Respond to Australian consumers' increasing concerns about the "truth and integrity of our labels, and their right to use labels to help them support local producers and processors. In turn this would provide opportunity for local "ethical" companies to increase productivity for local businesses and growers. This would secure jobs and skills and reinvestment reducing national debt, here by giving priority to Australian interests as other countries give to their own.

b.
Recognition by policy makers of the "real value" that the word "Australian" means to consumers and to off shore interests, and how this is managed in Australia's long term interests across the supply chain from paddock to plate.

c.
Recognition of the value that Australian owned businesses provide to the economy and the implications of policies which have undermined the profitability, access to market supply and the critical mass, especially where these policies are made on "motherhood" statements that have not been researched since 1998. For example:

: Access to produce for local production that is controlled by off shore interests;
: Retailer practices and the parties involved in the supply chain between farm and warehouse, substituting imported goods in our growing season.

d.
Review what other countries really do to "protect" their own interests. Some examples have been cited.

e.
Ensure **discipline and trust** in our labelling laws with a centralised approval system for labels, and with a review system to ensure these are as approved. Reserve the power to remove products from sale until labels are "truthful" – the exporter and the importer are responsible.

: As many retailers source direct they will also primarily responsible for truth in labelling.

f.
Define aspects of labels that are misleading such as use of the flag, bar code 93, and other market devices which infer products are Australian and still owned here and sourced here when they are not.

: Nominate the real owner of the product and the country e.g. Fountain (Cerebos Japan)
: Apply "common sense" - when marketing messages conflict there is deception.

g.

Country of origin needs to be applied for any ingredient of 10% or more for each item (by volume and or value) and adjusted to seasonal / supply sources change. Labels to reserve a panel where use by date and CoOL can be stamped to cover seasonal differences. Government will need spot reviews of products made here and the source of the foods especially those businesses that have a history of deceptive labels.

h.

Educating consumers: Key elements of the labelling laws have been in place for many years. It is not only the labelling laws but the arbitrary application of the laws that are the problem. Keep labels simple and messages transparent. The best way to inform consumers is via government web sites and in the media. Potentially use this as a resource for complaints. This would include mandatory statements and the review of “advertising” statements and if the inferences are true in the Australian context. Require stricter application of the Australian bar code used on imported products. Give opportunities for Australian owned businesses to participate in reviews.

i.

Review role of gatekeepers when the timeliness of responses compromises local businesses and growers, and the allocation of responsibilities across several levels of Government and departments further impedes direct action. Other countries despite their size effectively do this - New Zealand and the USA.

j.

Establish a system of review that protects the intellectual property of local businesses from private label copies and import copies.

k.

Recognition of the consumer concerns by resourcing industry organisations as a conduit for feedback.

l.

Recognition of the implications of FTAs in recent years, including opening our doors to countries that do not meet our standards, are allowed to buy our businesses and farms here and how these impact the “integrity” products sold here, and what the real value is to Australia’s long term interest if exports are foreign owned and the supply chain foreign controlled here.

m.

Timely implementation as local businesses and farmers are under increasing cost and sales pressures as they compete with an increasingly aggressive market place.

n.

Note price is not the reason why people buy and this review of labelling laws indicates the source of food and integrity of the product are of higher perceived value to consumers who want to support local suppliers.

E.
Background to this Submission:

1. ACIL (AUSBUY) was formed in 1991 and has noted the decline in ownership of major wealth creating assets and control of the supply chain in that time.
    a. Australia has no national plan to identify and support our sustainable competitive advantages.
    b. The mis-use of our labelling laws is evidence of the failure to support attributes other countries value.
    c. ACIL has been consistent in its message that only Australian ownership means the decisions, profits, jobs, skills and reinvestment stay here.
    d. ACIL is not against foreign investment when they risk their capital.
    e. However when they buy assets already established here we lose transparency in where the profits go.
        i. Off shore borrowings against assets here become our national debt.
    f. ACIL considers we should retain 51% Australian ownership in our wealth creating assets, so the Government would have transparency in where the decisions are made and profits go and how our interests are managed within Australia, including labelling laws and the source supply management.

2. ACIL (AUSBUY) Corporate members remain competitive in the market place.
    a. They provide good value for money, are innovative, maintain product quality and integrity.
    b. Membership comprises around six public companies and large cooperatives, while the remainder are privately owned businesses operating throughout Australia.
    c. Collectively they represent around $30B and thousands of jobs across Australia.
    d. These businesses receive little or no government funding or recognition as Australian owned.
    e. However, consumers are increasingly aware of the importance of Australian ownership that differentiates these businesses from competitors here and imports.

3. The AUSBUY Owned and Made logo does not appear on goods which are imported or foreign owned.
    a. Members using the AUSBUY logo are 80% to 100% Australian owned and 80% to 98% Australian sourced.
    b. Note the AUSBUY Owned logo is used by service businesses that retain a high level of intellectual property and skilled jobs here.

4. Consistency and Experience: There are two key words ACIL (AUSBUY) uses in all the information it provides consumers: *Empowerment* and *Choice*.

    a. Information empowers consumers and businesses to make choices that will be to Australia's advantage. We encourage them to choose Australian owned and made. Trust has been a key aspect of the AUSBUY brand since forming in 1991.

    b. Consumers increasingly rely on organisations such as AUSBUY to identify those products which are sourced here. The AUSBUY Owned and Made logo does not appear on goods which are imported or foreign owned.

    c. We refer to a study done in a region which highlights the difference between supporting local businesses versus off shore. THINK LOCAL can be extrapolated to the whole of our economy. See page 34.

5. In early 2009 ACIL initiated a discussion across the food industry about the issue of Food Security. Food Security is now discussed in terms of supply; however the key issue identified by this group was the decline in on farm income and rising debt based on the false assumption that we export more than 50% of our food commodities.

    a. The issue of food security has not been researched since 1998, yet we make policy decisions often on "motherhood statements" that we export most of our food. Policies based on a false premise place increased pressure on local producers and processors. Sixteen years later, the majority of our export commodities are controlled by foreign interests operating here beyond the farm gate. Rice is the only commodity still owned and controlled by the farmers here and off shore.

    b. Farmers and our food processors are key to revitalising our manufacturing industry here to balance the loss of mining income, to add value to commodities and to provide equitable return to our farmers. This will not be done without a change in how we manage and secure these industries, skills and jobs here.

6. ACIL's CEO, Lynne Wilkinson, has worked for several decades in marketing roles in the food and other industries. Accordingly she appreciates the issues which face our businesses here and off shore. These include:

    a. Food industry consulting to growers
        i. the New Zealand Wine institute in the last 1970's when New Zealand was established strategic plans internally in response to changes in the EU market;
        ii. Victorian vegetable growers when Simplot USA did not want to buy the Edgells frozen food factory in 1994.
    b. National marketing roles with a major supermarket group
        i. Part of a small research team reviewing the private label strategy in the late 1980s for the national retailer,
            1. and as a consequence anticipated the impact on local growers and processors here as private label is substituted for local brands on the retail shelves.
    c. Established a food industry group in Victoria which she chaired for six years,
        i. provided advice to the Victorian Government for the Food Victoria Strategy under Kennett Government
        ii. was invited by the Keating Government to develop the initial food export group for small to medium sized operators.
    d. Owned and operated a food business for local and export markets.

Appendices

1.
Australian Olive Oil Industry Seeks Truth in Labelling

We are very grateful that the ACCC has released this press release and fact sheet in an attempt to educate the confused Australian public about the different grades of olive oil. However we believe that this alone is unlikely to have a material change to the volume of adulterated Extra Virgin being sold in Australia or the misleading practice of labelling chemically refined olive oils as 'extra light' and 'pure'. The problem is that despite an Australian Standard being developed and published in 2011 for the benefit of Australian consumers, Australian authorities on whom the public relies have done little to regulate or enforce the adoption of the Standards. As a consequence untrained consumers, in particular health conscious female shoppers (see research attached) are unknowingly being scammed and continue to purchase mislabelled and adulterated products.

In this respect it is confusing that the ACCC announcement refers to two terms associated with refined olive oil which are not allowed under the Standard - specifically Extra Light and Pure. Both of these terms are clever marketing terms rather than descriptions of the grade of olive oil contained within. Recent independent research by GFK commissioned by the Australian Olive Association a few weeks ago (which confirms studies done in Europe) shows that uneducated Australian consumers (uneducated in regards to olive oil) rely heavily on the description on the label and are being misled by these terms. Below is a summary of the findings.

Firstly, regarding perceptions around 'Extra Light'... Almost two thirds (64%) of those surveyed associate Extra Light Olive Oil with being 'lower in fat', with a similar proportion (62%) see it as 'lower in calories'. 22% more consumers rate it as lower fat than Extra Virgin Olive Oil (when in fact it is higher in fat). In terms of quality, nearly one in two (47%) consumers see Extra Light as being of similar quality to Extra Virgin, rating it close to Virgin in terms of overall quality. 34% of the women surveyed are buying extra light largely because of the low fat benefits in line with light products in other categories eg milk.

In terms of Pure, while there is near unanimous consent 'Pure Olive Oil' is made only from olives, less than one in ten of users and non-users understood 'Pure' Olive Oil is a blend or refined, and only 16% think it is a blend of different oil grades. Many consumers believe pure means the oil is derived from only one variety of olives. Pure Olive oil is also consistently rated as one of the higher quality blends, and consumers appear ignorant of the amount of processing and treatment it receives: 49% associate 'Pure Olive Oil' with being 'of the same quality as Extra Virgin Olive Oils.

Considering consumers in Australian are currently paying the same price for Extra Virgin as 2nd grade refined olive oil in most stores because it is labelled "Extra Light" and "Pure" AND considering these names are illegal descriptors in the EU because they are misleading we believe strongly that government needs to mandate the Australian olive oil standard under the ACL. By way of clarity, in the EU (and in the Australian Standard) refined olive oil can be readily sold but it must be called what it is "Olive oil comprised of refined and virgin olive oil", not labelled "Extra Light" or "Pure".

Boundary Bend Olives (Cobram Estate October 2012)

2.

Growth of Food Imports Process and Fresh Over a Decade and Sharp Rise in 2009 (Source ABS)

Italics are figures applied

	$M	**July to Mar $M**	***June to Mar %***	***Y to Y***	***Year to Mar***	***2004 to 2013***
2004	5770	4376	*76%*			
2005	6171	4460	*72%*	*107%*	*102%*	
2006	7181	5565	*77%*	*116%*	*125%*	
2007	7836	5944	*76%*	*109%*	*107%*	
2008	6850	4724	*69%*	*87%*	*79%*	
2009	9480	7352	*78%*	*138%*	*156%*	
2010	8951	6858	*77%*	*94%*	*93%*	
2011	9279	7572	*82%*	*104%*	*110%*	
2013	10101	8499	*84%*	*109%*	*112%*	
2014		8979			*106%*	*175%*

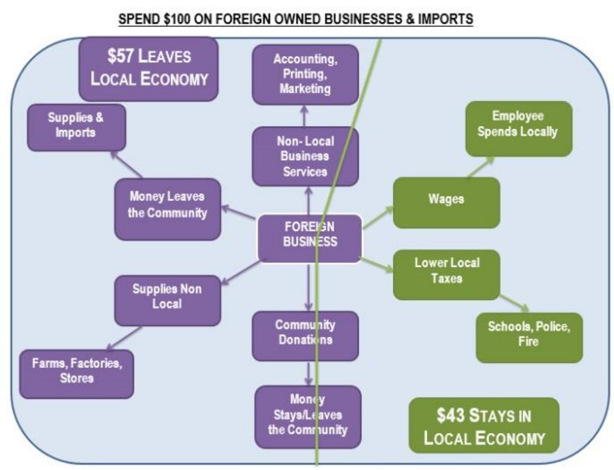
3.
THINK LOCAL

There are good reasons why we should be supporting Australian owned.

AUBSUY urges consumers to spend $50 a week extra on Australian owned goods so we have multiplier effect within our economy of $50 Billion a year. This makes sense when we THINK LOCAL. It is our contribution to Australia's interests.

The chart below outlines the finding from research in a regional centre. When $100 is spent buying local (aka Australian owned and sourced goods and services) the multiplier effect in the economy means $73 stays within the economy, and only $27 leaves. The alternative when we choose foreign owned goods or services instead of our owned means only $43 stays here or 40% less in the local economy stays there.

Extrapolate that to a State or a Nation and you can see how we might get out of our debt and start reinvesting in here, create skilled jobs, reinvigorate our businesses, reduce borrowings off shore and buy back our future.



4.
Is Free Trade Fair?

Years spent sitting on the side lines waiting to play might not seem so bad if we look at what has happened when we played the FTA game in recent years. In our rush to sign FTAs we have not considered whether they are *fair* to Australian interests. Trade is important, but should be win/win.

Over the past four decades our trading partner options have changed from a UK European focus. We were effectively locked out of the old trading relationships with the formation of the EU. In recent years our exporters have had to deal with a high AUD$. Our mineral commodity exports hid the decline in exports in our food and manufacturing sectors to the national bottom line. Manufacturing has struggled to stay viable or move off shore, resulting in loss of jobs and critical mass in the supply chain in key industries. When companies close, the flow on effect is felt by those businesses here that supply goods and services. We lose critical mass.

Australia has had a wake-up call to better manage our income and debt, but we have not counted the costs of past Agreements. We can always live in hope.

However, hope will not pay our bills if we do not own the exports. And when our dollar goes down we will be dependent on rising import costs that impact inflation. Viable, locally owned and sourced business would be a buffer against our dependence on imports.

The idea that everyone gains from Free Trade Agreements is an oft cited motherhood statement, but not necessarily true if our history is any indication. For example, while not the primary cause for withdrawal by the motor vehicle industry here; its decline was exacerbated by FTA in 2005 with Thailand which allowed access for cars from South Korea and Japan via the back door into our market. In that case, we did not get a bilateral agreement so our exports to Thailand had the burden of high tariffs. Score – they win we lose. We cannot always blame the workers' wages when factories close.

History is not kind to our negotiators. This situation is not helped by a naive and commercially, inexperienced public service, who are our negotiators and political advisers.

To gain from FTAs we have to obtain access to sales that our businesses and growers would not get locally or from other customers, and in return give access for imports of similar dollar values, but not in direct competition with our own.

Since some of our domestic companies will lose as a result of import competition, our negotiators need to continually model the possible gains and losses. The least they could do would be to consult locally owned businesses not just the big end of town.

The rest of the world wants to "Feed Asia" and they are doing their own deals. Their own producers and processors will get priority. Agricultural products unfortunately are politically sensitive in most countries that "protect their farmers".
The lure to allow these Agreements with Asia is concealing the real picture here. Current negotiation's main target is agricultural products. However as we have highlighted over many years the majority of our food export commodities are controlled beyond the farm gate by foreign interests.

Fresh food may present other opportunities, but if we are importing fresh produce to satisfy FTAs then where are the efficiencies in transport costs and quality controls for our producers? Where is the assurance that our consumers have access to quality, safe and affordable food here? Will AQIS and Biosecurity Australia be resourced to ensure diseases do not enter, and poor growing conditions put our people at risk? Will our labelling laws require and enforce Country of Origin so consumers are free to choose?

The Government is promising 1745 jobs will be created in the next year here, and the boost will continue for at least 15 years, with 950 new jobs expected in 2030. (Source DFAT). However, there is no evidence in government papers where these jobs will be created and what levels of exports are from Australian owned operators. Nor do have we identified how many jobs will be lost.

A quick review of DFAT shows import duty into Australia shows 0% to 10% on many of the goods we are proposing to open our doors to off shore. Whereas in the case of South Korea our exports in the same products have export tariffs between 10% and over 500% plus and will be gradually removed over 15 years. Does this sound like a fair deal?

Some owned growers and manufacturers will gain opportunities in these Agreements. But those products excluded are not happy. At the time of writing this article the full details of the Japanese deal have not been released as discussions are still to be resolved with China. The Japanese can however buy up to $1B in business assets with no reference to the FIRB. Land sales are limited to $15m.

And when we consider that many of our agriculture exports here are controlled beyond the farm gate by foreign interests, then the real value to Australia is reduced further. It does not augur well for deals with China.

An overview of the FTA with South Korea

DFAT estimates that trade will increase in exports by 25% with South Korea- however not everyone here is included.

“Trade Agreements with exclusions are not free trade” Ruth Wade Rice Growers.

The honey industry is excluded with tariffs of 150% to 250%, whereas New Zealand’s Free Trade agreement has zero tariffs when fully implemented.

Can Australia gain from FTAs?

Is South Korea “protecting” its key industries? What have we given away to gain access?

Some insights:

- South Korean tariffs on imported cigarettes and tobacco will be slashed from 40% to 15 %. However, in March this year Philip Morris announced it will close its operation here with a loss of 180 jobs so we will not make cigarettes to trade. We will import our cigarettes.

- No tariff reductions on rice, unhulled barley, milk powders and condensed milk, abalone, ginger, apples, pears, watermelon, walnuts, onions, capsicums, garlic and frozen pork belly.
- Imports into Australia include: lower tariffs on imported South Korean textiles, footwear, auto parts, electronics and steel products will make it harder for Australian manufacturers to compete. These are the industries closing here with skilled jobs.

The South Korean Agreement
South Korea: 50 million people $1.3T economy, Australia will represent $30B in export sales.
Is this a level playing field?

How it looks currently and what the deal is for Australia:

- Beef : (Exports majority foreign owned)
  - 49% now and 8% higher than USA to be reduced to a 5.4% difference then removed over 15 years.
- Offal: 18% removed progressively over 15 years.
- Sugar: (Exports majority foreign owned)
  - abolish 3% on raw sugar.
- Wheat: (Exports majority foreign owned beyond the farm gate)
  - eliminate 1.8% on wheat and 8% on wheat gluten on entry.
- Dairy: (Exports majority foreign owned)
  - 36% on cheese and 89% on butter to be eliminated between 13 and 20 years. With growing quotas for cheese, butter and infant formula. Cheese quotas 2/3 of Australian cheese exports to South Korea in 2013 representing $88m in 2013.
- Lamb, goat, pork:
  - eliminate 22.5% tariff on all sheep and goat over 10 years.
  - Pork 22.5% to 25% will be eliminated over 15 years.
- Wine: (Exports majority foreign owned)
  - eliminate 15% tariff immediately.
- Horticulture:
  - Cherries, almonds and dried grapes currently 8% to 24% now duty free.
  - Macadamia nuts, fruit juices, mangoes, asparagus and lentils: now from 27% to 54% will be phased out over 3 to 10 years.
  - Potatoes for chipping currently: the existing 304 per cent tariff will go straight away for exports from December to April (their growing season), with tariffs phased out for other months over 15 years.
  - Oranges 50%, fresh table grapes 25%, and mandarins 144% eliminated during our exporting seasons.
  - Tomatoes and apricots: currently 45% reduced to nil in 7 years.
  - Malt and malting barley: current tariffs of 269% to 513% will grow quotas and eliminate tariffs over 15 years. Cargill USA recently purchased the last malting mills here.

Loss of Wheat Edge

Trade Minister Andrew Robb says the grain sector is benefitting enormously from market deregulation (Robb tries to smooth waters on ADM deal 29/3/14). In recent media reports, Neoh Soon Bin Managing Director of Southeast Asian flour miller Soon Soon Group (Malaysia) puts forward a different view.

He says that with the loss of our single desk, Australian wheat is cheaper, our quality is inconsistent, there less reliable supply for customers and there is not unified information on crop quality or technical support for buyers.

In other words Australia has lost its marketing edge due to the treachery of the Rudd government and the Liberal Party which abolished the single desk in June 2008 against the wishes of the majority of growers.

Jock Munro Rankin Springs NSW
Wheat grower
This letter is as published in the Australian on 31/3/14.
And again when the FTA was signed with South Korea

Grain Grower's Scepticism

Graincorp chief Don Taylor has called for a big spend on rail infrastructure and claims that it will increase grow returns (Graincorp seeks $100m for a rail upgrade 7/4)

Growers on the east coast will treat Taylor's statements with a fair degree of scepticism.
Since we have lost our ability to leverage supply chain service, providers such as Graincorp, with our legislated national pooling arrangement, freight costs have increased 38% in five years.

If increased taxpayer funds are committed to rail, what guarantees does Taylor give that growers will not continue to be gouged as they have in the past?

Jock Munro Rankin Springs NSW
Wheat grower
This letter is as published in the Australian on 8/4/14.

Are our problems self-inflicted? Dare we apply the solutions?

This is a tale of one food sector which is replicated in other sectors and industries. A change of policy "intent" would reinvigorate our economy and give long term opportunities to our people.

Dairy is in demand globally, yet the Australian dairy industry is in decline. Nearly two decades after deregulation there are now around 6,000 fairy farmers compared to around 22,000 when deregulation was forced on them nearly twenty years ago. While many of the smaller operations were not viable, many survived until recent years when forces beyond the farm gate impacted on many of those which are highly efficient and productive. Given the nature of the industry bigger is not necessarily best and most productive.

Over the past two decades we have seen the collision of deregulation and an open door policy to foreign takeover of key sectors beyond the farm gate. In recent years this has been further exacerbated by the retailers' control of market prices selling one litre of milk for $1.00. A bottle of water taken from our water supply at low costs to the bottler sells under an international brand for more than $2 for 750ml. Does this make sense?

Decisions continue to be made in policy rooms that open our doors to competitors who play to a different set of rules. We expose our businesses in the name of "competition policy" that only erode Australia's capacity to grow and our people to prosper. When foreign interests control the assets they profit from the exports, our national income goes down and our tax laws favour them.

When we allow the sale of strategic assets in the supply chain we lose critical mass that has a knock on effect to all those smaller businesses reliant on continued business. As a nation that built our wealth on agriculture it is an indictment on our business leaders and our policy makers we have no major food company to represent our interests off shore.

How others look after their own

There are lessons to be learned here as to how New Zealand has the largest dairy company in the world. Fonterra has an estimated value over $14B. It is protected in New Zealand from predatory foreign takeover as it is owned by 10,500 New Zealand farmer shareholders as a co-operative who produce 16 Billion litres annually, 95% of which is exported. Off shore Fonterra is a public company. In Australia Fonterra Brand is listed on the ASX. It also has interests in dairy assets here and buys outright private dairy processing companies. The MD of Fonterra Australia reports to Singapore.

The population of New Zealand is less than the size of Sydney. Their farmers have ready access to low cost water; receive sustainable returns from retail prices and the support of the government as a strategic industry. In early 2012 the New Zealand courts stopped the sale of eight dairy farms to the Chinese because it was not in the national interest and the long term benefit of its citizens. In 2012 the Victorian Government allowed the Chinese to outbid farmers by $10k so they could buy the Victorian Dairy Research Centre. No hand-outs or loans were offered for farmers then. In recent months the Victorian Government has announced it will give $40M for dairy research grants. The question is will our farmers benefit from the research especially as the countries we are dealing with do not recognise our intellectual property? We have much to learn.