

Chapter 8

Australian food exports—opportunities and challenges

8.1 Throughout the inquiry the committee received much evidence that suggests that the regulatory environment applying to food processing sector exports inhibits the ability of industry participants to access export opportunities. This chapter explores the role that export can play in ensuring the long term viability of the food processing sector.

Overview

Exports and imports in the food processing sector

8.2 Throughout its inquiry the committee heard of the importance of international trade to Australia's food processing sector. The Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) explained that in recent years the value of Australia food exports had increased:

[T]he value of Australian food exports increased to \$27 billion in 2010-11, including nearly \$17 billion worth of processed foods, which represents approximately 63 per cent of total food exports. Japan remains the largest destination for Australian food exports, with the ASEAN group of countries also growing in importance as a destination for Australian food exports.¹

8.3 The value of food exports does tend to fluctuate and is influenced by a range of factors including seasonal production issues.

8.4 Australia's food exports and imports fall into three main categories: 'minimally transformed' products, such as grains, oilseeds and live animals, 'substantially transformed' products, such as meat, dairy products, sugar, beverages and malt, and 'elaborately transformed' products, such as biscuits and confectionary.²

8.5 The committee also noted that imports of food to Australia have increased in the past few years. Imports now comprise approximately 30 per cent of processed and 4 per cent of fresh fruit and vegetable consumption in Australia.³ In real terms, the value of Australia's food imports has risen by approximately 5.3 per cent per year over the past two decades. Areas in which the value of imports is increasing include

1 Ms Ann Bray, General Manager, Food and Chemicals Branch, Department of Industry, Innovation, Science, Research and Tertiary Education, *Committee Hansard*, 11 May 2012, p. 32.

2 DAFF, *Australian Food Statistics 2009-10*, p. 7.

3 Australian Government, *Issues paper to inform development of a national food plan*, p. 93.

processed seafood, processed fruit and vegetables, bakery products, confectionary, beer and wine.⁴

The current environment

8.6 Despite food exports having risen in 2010–11, Australia's food processing sector is currently operating in difficult circumstances. Throughout the inquiry, the impact of the high Australia dollar was consistently identified as a cause of concern to processors. Not only did industry stakeholders cite the strong Australian dollar as impacting on their margins but argued that, as a strong dollar makes imports cheaper, it has dampened their ability to compete both domestically and in international markets. Webster Ltd, Australia's fourth oldest business, operating since 1831, identified the challenges facing exporters succinctly:

The future of Australia's export industry faces many challenges – a strong Australian dollar, increasing compliance costs, a decline in funding for the Agricultural industry, widespread skill shortages, high labour costs, rapidly increasing costs of services and inputs and taxes, all of which are out of the control of the industry.⁵

8.7 DIISRTE recognised that tough circumstances currently confront the industry:

The industry is currently suffering from poor margins, higher imports, higher value of the Australian dollar—which helps to inhibit opportunities for export but also increases competition from imports—difficult retail trading conditions and the availability of skilled and unskilled labour.⁶

8.8 Yet, in noting these challenges the department explained that the government, through its Food Processing Industry Strategy Group, is looking to assist the sector and will do this by promoting the natural benefits of the Australian industry:

The strategy group has not yet delivered its report but is likely to focus on Australia's key strengths in the area, including its reputation for product safety and high quality, including disease-free status; the large, high-quality public research institutes that we have, such as CSIRO, which has a considerable food focus; available energy, raw materials and land that crosses multiple latitudes for large-scale food production; and opportunities for the Australia processed food industry to exploit the soaring regional need for food.⁷

8.9 In recognising these issues, industry conceded the need to find opportunities amidst the challenges:

4 Australian Government, *Issues paper to inform development of a national food plan*, p. 93.

5 Webster Ltd., *Submission 58*, p. 2.

6 Ms Ann Bray, DIISRTE, *Committee Hansard*, 11 May 2012, p. 32.

7 Ms Ann Bray, DIISRTE, *Committee Hansard*, 11 May 2012, p. 32.

From my perspective, what our industries have to do is up the ante on their ability to export product as a way of allowing the level of production to be maintained at a critical mass, or even increased, as well as support a strong domestic market situation.⁸

8.10 Commenting on the challenges of rising labour costs, rising input costs and the strong Australian dollar, the Coles Group Limited also suggested that these characteristics provide opportunities to the sector:

...food processing companies have the opportunity to be proactive in the face of these challenges by investing in export capacity, in improved quality of existing products and in innovation of new products.⁹

Opportunities for export

8.11 Throughout its inquiry the committee heard that the rising middle class in Asia presents many opportunities to Australia's food processing sector. The Australian Food and Grocery Council (AFGC), which represents many of the food processing sector participants, noted:

[t]he growing middle class in India, China and South-East Asia is real and it is actually happening for some small companies—and not so small companies as well. We think there is a huge opportunity to increase that flow-on.¹⁰

8.12 The Department of Foreign Affairs and Trade (DFAT) informed the committee that as a result of the growth in the world population, and with a substantial amount of that growth being in Asia, 70 per cent more food will be required by 2050:

The outlook for Australian food exporters is broadly positive, despite the current challenges. With the world population projected to be over nine billion by 2050, there is an estimate that 70 per cent more food will be required. Much of the population increase will be in Asia, which already receives 55 per cent to 60 per cent of our agrifood exports. The rapid growth of the middle class in Asia will see greater demand for higher quality, safe and protein-rich food, including more meat and dairy products. Australia remains well placed to help supply this food to Asia. Asian consumers are becoming more sophisticated and demanding.¹¹

8 Mr Trevor Ranford, Consultant, Summerfruit Australia Ltd and South Australian Horticultural Services, *Committee Hansard*, 11 May 2012, p. 54.

9 Mr John Durkan, Merchandise Director, Coles Group Ltd, *Committee Hansard*, 15 May 2012, p. 1.

10 Ms Kate Carnell, Chief Executive Officer, Australian Food and Grocery Council, *Committee Hansard*, 13 December 2011, p. 24.

11 Mr Christopher Langman, First Assistant Secretary, Trade and Economic Policy Division, Department of Foreign Affairs and Trade, *Committee Hansard*, 11 May 2012, pp 42–43.

8.13 However, although both industry and government acknowledge the opportunities that exist, the AFGC suggested that more needs to be done to harness market opportunities. The AFGC recommended a 'brand Australia' approach to take advantage of Australia's clean, green image:

...we do not have a Brand Australia in the food and grocery space, so in terms of how we are selling Australia as a great source of safe, high-quality food, to some extent has no brand. There is no work we have done. Australia Unlimited, the branding approach, does not fit very well in the food space; whereas, say, for New Zealand, who have worked really hard on their Pure brand, have done extraordinarily well in selling New Zealand as a great source of safe, high-quality food. We think there needs to be more work done on Brand Australia.¹²

8.14 While it is acknowledged that Australia has a comparative advantage in the agri-food sector as a 'clean, safe and high-quality' food producer, other sectors of the food industry do require some assistance.

8.15 The horticultural sector of the industry was identified as an area, that despite having potential for significant growth, requires assistance:

Horticulture stands out as being a significant growth industry in Australia. Horticulture as a whole is the quickest-growing agricultural sector. It is the third-most important industry to Australia behind beef and grains. Yet our history and experience with exports of horticulture are pretty poor. In a way, that comes back to two issues: (1) the ability of the industry to want to take on exports and find new markets; and (2) the work that Dr Grant is doing on trying to facilitate and open export markets through SPS considerations and arrangements...We can help them through trade facilitation. We can help them with SPS issues and negotiations. We work closely with the industry on, for example, identifying what they think are the most important priorities for their export markets and we use that information to ensure our resources meet their priorities. We are doing a lot, but I accept that progress has been slow.¹³

8.16 The current weaknesses of the horticultural industry were acknowledged by Mr Trevor Ranford of Summerfruit Australia Ltd and South Australian Horticultural Services:

[T]o be able to process food, you have to have the raw product in the first place. So we need to go back to the grassroots of production. One of my early mentors told me that in horticulture there were three components—one was export, one was domestic and one was processing—and if any one of those were weak then the industry was potentially weak. I would suggest to you at the present moment in horticulture in Australia all three of those are weak and therefore we have a weak production sector and that leads to a

12 Ms Kate Carnell, *Committee Hansard*, 13 December 2011, p. 24.

13 Mr Allen Grant, First Assistant Secretary, Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 11 May 2012, pp 21–22.

weakening processing sector. The issues that have been raised within the submissions highlight some of the areas of concern for industry.¹⁴

8.17 Given the opportunities that rising wealth and changing tastes in Asia represent for Australian food processors, the committee sought to identify how effective government assistance is to food processing sector participants.

8.18 When asked to explain their role in helping businesses access growing international markets, and therefore take advantage of the opportunities, DFAT explained:

DFAT supports exports by working to negotiate improved access to overseas markets for Australian goods and services, including processed foods. Our trade policy complements the government's focus on productivity, enhancing domestic reform, and that will improve export competitiveness. DFAT also facilitates opportunities in overseas markets for Australian exporters by helping them to gain access to decision makers, by supporting promotional activities and by assisting with market access issues. The personal attention of ministers, including by leading trade delegations, and our ambassadors can make a real difference for Australian companies overseas.¹⁵

8.19 The department also explained the role of Austrade, which is a part of DFAT, in facilitating business leads:

Austrade works closely with companies to provide specific business leads. Following comprehensive reforms unveiled by the trade minister last year, Austrade is increasing its efforts to identify opportunities in emerging and growth markets, including in Asia.¹⁶

8.20 However, when processors were questioned about the assistance that these agencies provide to them, few gave evidence that they accessed the services on offer. Luv-A-Duck told the committee that Austrade has been of little relevance to its operations:

Austrade have not been particularly relevant to us...given the size of our operation. Austrade deal more with the bigger companies and they do a good job. Smaller ones like ours seem to slip through the net. AQIS is a different thing. We have to deal with them on every issue...We have been trying to get into New Zealand for five years. We used to trade there. There were some issues with fire blight and so on at a certain stage, maybe five or six years ago. Some difficulties were established that arose out of that between AQIS here in Australia and its equivalent in New Zealand. It has

14 Mr Trevor Ranford, *Committee Hansard*, 11 May 2012, p. 51.

15 Mr Christopher Langman, Department of Foreign Affairs and Trade, *Committee Hansard*, 11 May 2012, pp 42–43.

16 Mr Christopher Langman, Department of Foreign Affairs and Trade, *Committee Hansard*, 11 May 2012, pp 42–43.

been tit for tat and...an artificial trade barrier has been created during that time.

We have spent tens of thousands of dollars trying to overcome all of the issues that have arisen regarding New Zealand.¹⁷

8.21 The Australian Manufacturing Workers' Union (AMWU) were similarly critical of government and suggested that although it is 'absolutely imperative' that AQIS protect Australian industry from disease, there is no longer the right balance between protection and market access:

Senator EDWARDS: ...We have Austrade out there—a different agency—and we have AQIS. If you could give them a score out of 10, what would you give them at the moment?

Ms Dowell: Probably about four—and that is on a good day.

Senator EDWARDS: If you were the chief executive of AQIS and were looking after quarantine and also market access, what priority would you give to the market access department?

Ms Dowell: That is a difficult question, isn't it? You cannot take the focus off quarantine. It is absolutely imperative that we make sure that our industries in Australia are protected and looked after. But I think market access is equally important. You need to make sure that we do have access, that we do know what is coming into the country, and that we do have some sort of levelling-up of the requirements globally. One of the issues for AQIS—to give them some credit—is that they simply do not have the number of people they need to be able to do their jobs adequately...My four out of 10 comes from the fact that, notwithstanding that a lot of it has to do with the numbers of people, it also has to do with decisions about the testing regime and, in particular, what is appropriate for the testing of manufactured food products that come into Australia. I think there is a great deal of room to improve the performance of AQIS legislatively—in areas of skills, in the way they apply testing regimes and how they enforce those testing regimes. We increasingly see things coming to this country in the food processing industry that, in my view, should not be allowed in; but they continue to arrive here.¹⁸

8.22 The Tasmanian Farmers and Graziers Association (TFGA) suggested that the requirement that users pay for the services of Austrade can act as an impediment to producers looking to access export market opportunities. TFGA told the committee that:

...if an intending exporter seeks to obtain help in developing the market through Austrade or with EMDG assistance, he/she will be told that there is a large element of "user pays". This means that market research information that could assist in initial assessment decision making is only available on

17 Mr John Millington, Company Spokesman, Luv-a-Duck, *Committee Hansard*, 17 April 2012, p. 40.

18 Australian Manufacturing Workers' Union, *Committee Hansard*, 10 February 2012, p. 5.

very restricted terms. In fact, it is not too out of place to suggest that visiting a potential market and canvassing opportunities personally can often be a better approach. While this may eventually be necessary to meet possible customers, early stage evaluation is generally when the most help is needed. Similarly with the hurdles that have to be met and charges paid to satisfy export inspection requirements – an intending exporter needs to be very sure that they want to make the jump from domestic to export.¹⁹

8.23 However, not all producers consider that the government agencies responsible for assisting industry to access export market opportunities are not doing enough. In fact, Mr John Berry, Director and Manager of Corporate and Regulatory at JBS Australia, indicated that the industry, due to its fragmented nature, was in part responsible for not having capitalised on export market opportunities:

I believe that the industry itself has not done the right thing. We are a fragmented industry. We have producer groups, we have processing groups and we have a whole range of people who are looking to put positions to government—whether they be on trade issues or whether they be on industry policy issues—and that has got to stop.²⁰

8.24 In making this observation JBS Australia informed the committee that there is, however, 'momentum for change in this industry to have a more solid, consolidated voice for the industry from the producer sector through to the processor' which would 'give the opportunity to get that one voice consistent with the government.'²¹

8.25 Mr Berry went on to inform the committee that:

...with regard to market access trade issues, unfortunately the fact is, because we are seen as part of agriculture, that for a lot of our trading partners—in terms of the people we are looking to do bilateral deals with—agriculture seems to be a no-fly zone. I have come back from a recent trip to Indonesia with the trade minister and the agriculture minister. That gave me a very good insight into the policies and politics of Indonesia both from live cattle and boxed beef perspectives. We see great opportunities in the Indonesian market but until we start seeing traction and the ability to be able to work with the Indonesians to be a major supplier of animal protein to that market there are still going to be problems.²²

8.26 Mr Berry argued that, given policies of self-sufficiency are common in emerging markets, a bipartisan approach is required to ensure the opportunities can be accessed:

19 Tasmanian Farmers and Graziers Association, *Submission 26*, pp 13–14.

20 Mr John Berry, Director and Manager, Corporate and Regulatory, JBS Australia Pty Ltd, *Committee Hansard*, 12 April 2012, p. 39.

21 Mr John Berry, JBS Australia Pty Ltd, *Committee Hansard*, 12 April 2012, p. 39.

22 Mr John Berry, JBS Australia Pty Ltd, *Committee Hansard*, 12 April 2012, p. 39.

We need a bipartisan approach to it by both sides of politics. We need to be making sure that we know what is on the table in terms of negotiations and that we are not giving unrealistic expectations to industry sectors because there is a lot of time and money wasted which does not end up resulting in any commercial results. More importantly, I believe that we need to be working, as an industry collectively, with not just Minister Ludwig's agriculture portfolio because that is just one part of it. We have got Minister Emerson and a whole host of departments that we need to be across. Unfortunately, to date we have not had that. We have not had that grunt in terms of a whole-of-government approach.²³

The challenges to export

8.27 Despite the many opportunities for export and government programs that provide assistance, throughout its inquiry the committee heard of certain challenges to export that confront the industry. These include the strength of the Australian dollar, cheap imports and regulatory costs associated with export certification.

A strong Aussie dollar

8.28 The strength of the Australian dollar in recent years has placed considerable pressure on Australian based export businesses and industries more broadly.

8.29 DFAT explained that although the high dollar is clearly putting 'significant competitive pressure' on some industries as it makes Australian products more expensive, they do not view the strong dollar as 'all negative or all positive':

It is complicated, though, in the sense that it is not all negative or all positive. Just to give you an example, of course it means that it is more expensive for consumers overseas to buy our products, from one perspective. But, on the other hand, certain inputs are clearly less expensive to buy for Australian producers.²⁴

8.30 The committee however heard that the strength of the dollar had in fact caused some export focused food processing businesses to close. For example, Mr Stuart Clarke, Director of Food Industry Development in the Western Australian Department of Agriculture and Food explained that since 2006, several of the larger food processors in Western Australia have gone to the wall for various reasons. He explained that those that have been exposed and are reliant upon the export market have had some real difficulties—Challenge Dairy is one example.²⁵

23 Mr John Berry, JBS Australia Pty Ltd, *Committee Hansard*, 12 April 2012, p. 39.

24 Mr Christopher Langman, Department of Foreign Affairs and Trade, *Committee Hansard*, 11 May 2012, pp 48–49.

25 Mr Stuart Clarke, Director, Food Industry Development, Department of Agriculture and Food, Western Australia, *Committee Hansard*, 18 April 2012, p. 5.

8.31 Elders Group Ltd also explained that while some commodity exporters have weathered the currency volatility better than others, they have some concerns for the beef industry if it loses capacity as a result of the current circumstances. Elders Group Ltd explained that rash decisions in these circumstances will be counterproductive when conditions become more favourable:

Our fear is that people will make decisions based upon what is happening right now without looking at the long-term impact. The high Aussie dollar is clearly making it difficult for exporters at the moment, particularly soft commodity exporters, and we see that in all shapes and forms. In areas such as grain, we have seen very large crops over the last two years after the drought of the early 2000s and that to a degree has offset the high Aussie dollar. With yields up and quality reasonably good as a rule, broad acre croppers have been okay. You do not see the same, for example, around beef where the herd is reasonably stagnant.

The ability for Australia to export boxed beef, particularly high-end boxed beef, into the northern and north-eastern Asian markets like Japan and Korea is really impacted on at the moment. We need to be careful that we do not see decisions being made because of the lack of viability that would further impact that industry. For example, only last week JBS Swift closed down a very large feedlot in New South Wales. Our board put significant pressure on myself and the management team to justify why we should continue to run two large feedlots, which are 20,000 head each, which at full capacity would have \$50 million worth of work and capital tied up in them. What is the return to shareholders there? The issue is that once you close a feedlot, everybody is going to struggle to reopen one with all the EPA controls that go on. Next time drought hits and we do not have the abundance of pasture that we have got across the east coast at the moment, all of a sudden we are going to be back into this mentality of how are we going to get enough beef?²⁶

8.32 Concern at the impact of the high value of the dollar is widespread throughout the food processing sector. Mr John Millington, Company Spokesman for Luv-a-Duck, stated:

With the Australia dollar at a \$1.05 or \$1.07, it is difficult for us. While we have very good quality product, certainly value added, and we have a good market share, nevertheless, to export our prime duck meat is very difficult.²⁷

Cheap imports

8.33 As the strength of the Australian dollar has put pressure on exports, competition from imports has intensified. Submitters to the inquiry suggested that not

26 Mr Malcolm Jackman, Chief Executive Officer and Managing Director, Elders Group Ltd, *Committee Hansard*, 17 April 2012, p. 28.

27 Mr John Millington, Company Spokesman, Luv-a-Duck, *Committee Hansard*, 17 April 2012, p. 36.

only are imports increasing as a result of the strength of the dollar but they are also originating from markets where government heavily subsidises the domestic food processing sector.

8.34 Mr Andrew Spencer, Chief Executive Officer, Australian Pork Limited (APL) explained to the committee that the high level of imported pork being processed in Australia was the result of both the high Australia dollar and the level of subsidies on meat from North America and Europe.²⁸ APL explained to the committee that although the exact level of subsidisation is difficult to calculate and there is little cooperation from the local authorities to undertake that calculation, APL estimates the level of subsidy is likely to be in the vicinity of 30 per cent:²⁹

The biggest challenge facing Australian pork production is increasing competition from large volumes of highly subsidised, cheap pork imports from the United States, Canada and the European Union. It arrives frozen and is processed into ham, bacon and smallgoods in Australia. Around \$9.4 million worth of pork imports arrive in Australia each week which translates into half a billion dollars going offshore each year. Up to 80 per cent of the processed pork sold in Australia is made from imported pig meat which makes it difficult for local smallgoods manufacturers to compete in the domestic processed pork market.³⁰

8.35 Mr Spencer spoke of a study undertaken by an agricultural economist to try to quantify the scale of subsidies. They found that in the 2009-10 year the value of agricultural policy support across the whole of the EU was \$150 billion, in the US \$100 billion, Canada \$6 billion and in Australia around \$1 billion made up of rural research and development, matching funding and fuel excise subsidy.³¹

8.36 Mr Spencer emphasised that to combat the challenge of imported product APL will focus on differentiating their product from import subsidised competition:³²

We as an industry have to do the best we can to make our product as attractive as possible. One of the things that we now recognise in the community that they are looking for is these intangible aspects such as higher standards of animal welfare, higher standards of environmental protection, and we as an industry want to move in this direction.³³

8.37 The need for local food producers to innovate and differentiate their products in order to remain competitive in the challenging domestic market environment was

28 Mr Andrew Spencer, Australian Pork Limited, *Committee Hansard*, 13 December 2011, p. 3.

29 Mr Andrew Spencer, Australian Pork Limited, *Committee Hansard*, 13 December 2011, p. 3.

30 Australian Pork Limited, Australian Pork Limited, *Submission 30*, p. 4.

31 Mr Andrew Spencer, Australian Pork Limited, *Committee Hansard*, 13 December 2011, p. 4.

32 Mr Andrew Spencer, Australian Pork Limited, *Committee Hansard*, 13 December 2011, p. 1. See also Australian Pork Limited, *Submission 30*, p. 6.

33 Mr Andrew Spencer, Australian Pork Limited, *Committee Hansard*, 13 December 2011, p. 4.

explained to the committee by other food processors; their experiences and the need to invest in research and development to innovate is covered in detail in Chapter 7.

Regulatory costs

8.38 In addition to the uncontrollable external factors of a high dollar and cheap imports, the committee received evidence that domestically, government red tape and regulation is a further impediment to export.

8.39 Time and again submitters to the inquiry and witnesses at public hearings expressed concern with the current export certification processes run through the Australian Quarantine Inspection Service (AQIS). Their concerns particularly related to the cost increases that have resulted from recent Export Certification reforms. Stakeholder concerns in relation to the impediments to trade that AQIS present for food processing sector participants are covered in detail in Chapter 6 of the report.

Free trade agreements

8.40 DFAT explained to the committee that in negotiating free trade agreements (FTAs) their priority is to improve access to overseas markets for Australian exporters.³⁴

8.41 Many submitters to the inquiry, however, consider that Australia's approach to FTAs often leaves domestic producers and businesses at a disadvantage. The AFGC told the committee that:

[f]ood is always a difficult one in free trade because there are a lot of local requirements for the companies that we have free trade agreements...So Australia tends to be a little bit holier than thou in this space, and we are heavily into being into free trade, so we let stuff in pretty easily but often the countries that we are dealing with do not do quite as well...Until now we have ended up with some dumb approaches where, for example, Thailand can sell sugar to Australia but Australia cannot sell sugar to Thailand until 2020.³⁵

8.42 The Department of Agriculture, Fisheries and Forestry (DAFF) acknowledged that although protectionist policies do provide challenges, as a small player there are longer term benefits to be gained by Australia taking a more open approach to trade:

Australia through its history has adopted a policy of having minimal trade barriers, tariffs and quotas, and we have tried to work very hard through the global trade negotiations and the WTO to convince other countries that they should be reducing those barriers...Australia is a very small player in the global market. While we have a very strong export focus in our own

34 Mr Christopher Langman, Department of Foreign Affairs and Trade, *Committee Hansard*, 11 May 2012, pp 42–43.

35 Ms Kate Carnell, Australian Food and Grocery Council, *Committee Hansard*, 13 December 2011, p. 24.

country, our exports are a very small proportion of the food that rotates through the world. I think the judgment for a number of decades has been that Australia, being an export-focused nation, can benefit more by adopting freer trade status than by trying to impose barriers on all goods or selected goods. I think that there have been a number of economic studies that have shown that clearly it is to our advantage to adopt free trade or low tariffs, low restrictions and low barriers and to try to encourage others to do the same...³⁶

8.43 While the AFGC conceded that FTAs can be valuable, they suggested that they can also 'potentially disadvantage trade from countries which are not signatories to the agreement':

This "shutting out" phenomenon is poorly documented with respect to effects on the food and beverage industry in Australia. Nevertheless, when countries which imposed tariffs of up to 40% on food product imports sign bi-lateral free trade agreements with other select countries, industry in non-signatory countries face greater challenges in exporting to them.

The complexity of the FTAs makes exporting for food companies relatively complex, particularly when exploring the potential of new markets in which to export. This may be particularly challenging for small companies with limited resources to review and understand the implications of each of the FTAs.³⁷

8.44 The AFGC suggested that this situation could be improved by the government being more proactive in promoting FTAs, by providing guidance that assists smaller companies access new export opportunities.³⁸

8.45 DFAT explained that it is currently working on a number of new FTAs, including with Australia's key Asian markets. For some industry participants, this process is not occurring fast enough. The Winemakers' Federation of Australia, which views China as the 'one significant bright spot in the industry's future', is particularly concerned that Australia has not yet concluded an FTA with China:

Australia currently does not have a FTA with China, which means Australia's ability to effectively compete in this market against other wine producing nations that have successfully negotiated an FTA, such as New Zealand and Chile, is significantly reduced. Considering the expanding Chinese market and potential for sustainable long-term growth, it is important that Australia's competitiveness is maintained and a successful conclusion to a China FTA is soon reached.³⁹

36 Mr Allen Grant, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 11 May 2012, p. 17.

37 Australian Food and Grocery Council, *Submission 12*, p. 18.

38 Australian Food and Grocery Council, *Submission 12*, p. 20.

39 Winemakers' Federation of Australia, *Submission 35*, p. 13.

Anti-dumping

8.46 Australia's anti-dumping and countervailing system exists to ensure that any 'material injurious effects' of 'dumped' or subsidised imports on Australian industries are remedied.⁴⁰

8.47 The Productivity Commission, in its recent review of Australia's anti-dumping and countervailing system, identified that dumping occurs when:

[a]n overseas supplier exports a good to Australia at a price below its 'normal value' in the supplier's home market. If dumping causes, or threatens to cause, 'material injury' to local producers of 'like goods', then remedial action — mainly the imposition of special customs duties — can be taken against the imported goods concerned. Similarly, countervailing duties can be imposed on imports which benefit from any of a specified group of government subsidies and which cause or threaten material injury to a local industry producing like goods.⁴¹

8.48 These rules are based on internationally agreed rules and procedures under the auspices of the World Trade Organization (WTO). Anti-dumping regimes are common among many developed and developing countries.⁴²

8.49 The committee did not receive any specific evidence commenting on the effectiveness of Australia's anti-dumping and countervailing system. Some stakeholders did, however, suggest that dumping is occurring in the food processing sector.

8.50 Coca-Cola Amatil was of the view that 'despite antidumping measures already in place, food dumping remains an issue.' However they did not cite specific examples of occurrences where they consider dumping has occurred.⁴³

8.51 APL informed the committee that in 2006 it investigated undertaking anti-dumping action to establish whether dumped or subsidised pork imports were causing, or were threatening to cause, material injury to the Australian pork industry producing 'like goods'. However, the complexity and cost of proving which producers formed the Australian pork industry producing these 'like goods' resulted in no action being taken.

40 Productivity Commission, *Australia's Anti-dumping and Countervailing System*, N. 48, 18 December 2009, p. 1. http://www.pc.gov.au/_data/assets/pdf_file/0006/93750/anti-dumping.pdf (accessed 2 June 2012).

41 Productivity Commission, *Australia's Anti-dumping and Countervailing System*, N. 48, 18 December 2009, p. 1. http://www.pc.gov.au/_data/assets/pdf_file/0006/93750/anti-dumping.pdf (accessed 2 June 2012).

42 Productivity Commission, *Australia's Anti-dumping and Countervailing System*, N. 48, 18 December 2009, p. 1. http://www.pc.gov.au/_data/assets/pdf_file/0006/93750/anti-dumping.pdf (accessed 2 June 2012).

43 Coca-Cola Amatil, *Submission 44*, p. 9.

8.52 APL suggested that reversing the onus of proof in dumping cases would make it easier for Australian pork producers to defend their position from unfair competition from below-cost products:

I believe reversing the onus of proof would make a huge difference in being able to technically determine whether dumping was taking place. One of the biggest problems we have had is getting the cooperation of the processing companies in Australia in giving us the costs of the various parts of their value-adding because they are also major importers as well as domestic users of pig meat.⁴⁴

8.53 APL also advised that it now sits on the Close Processed Agricultural Goods Working Group and is working with government and industry to help improve access to anti-dumping measures for the pork industry.⁴⁵

8.54 In their submission to the inquiry, the AFGC discussed recent recommendations they had made to government based on their concern that Australia's anti-dumping rules have not been effective. The recommendations included a number of guiding principles which the AFGC considers anti-dumping policy and legislation should reflect:

- Australian industry and particularly the manufacturing sector must have ready and easy access to measures that have the clear objective of preventing products from being dumped in Australia to the detriment of the domestic sector;

Australian business should be able to compete equitably on the global market and anti dumping measures should provide for transparent and equitable remedies but not allow or encourage vexatious or frivolous claims;

- the measures should be administered and processed in a timely way that minimises costs and uncertainty for the business and provides a swift remedy to any activity that is injuring, or will injure, the domestic sector;
- the anti dumping legislation should provide clear, unambiguous and transparent definitions of what constitutes dumping and be able to report on the magnitude of imports and the proposed impact of the imported products on the domestic industry including final cost to consumer; and the arrangements should provide for a transparent and equitable process for appeal from parties associated with any action.⁴⁶

8.55 The AFGC also raised concerns around parallel imports:

44 Mr Andrew Spencer, Australian Pork Limited, *Committee Hansard*, 13 December 2011, pp 6–7.

45 Australian Pork Limited, *Submission 30*, p. 13.

46 Australian Food and Grocery Council, *Submission 12*, pp. 20–21.

Another important, and related issue, is parallel importing — that is the importing of branded products manufactured overseas, often to different commercial and regulatory requirements. Like anti dumping, this is an issue of concern to the food and grocery sector and one which contributes to the challenge of maintaining a safe and sustainable sector in Australia. Parallel importing could raise serious concerns with respect to food standards and health of Australian consumers specifically in relation to correct and accurate labelling requirements and quality standards.⁴⁷

8.56 The AFGC advised the committee, however, that they 'welcomed' the government's announcement of the establishment of an International Trade and Remedies Forum,⁴⁸ which occurred in June 2011.⁴⁹

Committee view

8.57 The committee takes the view that, despite the obstacles, export represents a valuable opportunity for the food processing sector and government policies, regulations and agencies should support food processors trying to export.

8.58 The committee considers that information and awareness of the support and assistance that government can provide to potential exporters needs to be more effectively communicated to food processors.

8.59 The committee also considers that FTAs and the removal of tariff and non-tariff barriers present opportunities for government to provide further support and assistance to this important sector.

Recommendation 32

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

Recommendation 33

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

47 Australian Food and Grocery Council, *Submission 12*, pp. 20–21.

48 Australian Customs and Border Protection Service, *International trade remedies forum*, <http://www.customs.gov.au/site/InternationalTradeRemediesForum.asp>, (accessed 22 June 2012).

49 Australian Food and Grocery Council, *Submission 12*, pp. 20–21.

Recommendation 34

8.62 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.

Recommendation 35

8.63 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.