



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**THE SENATE**

**PROOF**

**ADJOURNMENT**

**Food and Grocery Industry**

**SPEECH**

**Tuesday, 20 March 2012**

BY AUTHORITY OF THE SENATE

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## SPEECH

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**Questioner**  
**Speaker** Urquhart, Sen Anne

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**Senator URQUHART** (Tasmania) (23:02): Have you ever thought about how important our food manufacturing industry is? It is more than just the food we buy in the supermarket and that which we serve at our kitchen tables. The Australian food manufacturing industry is a critical and dynamic part of our economy. Our food industry ensures security, quality and safety in the food we consume, with high quality standards expected and met by our producers and manufacturers. It also supports Australian businesses and jobs across the nation, including in many of our rural and regional towns and communities. But the industry faces significant threats that have seen business closures, job losses and the disappearance of a range of brands from our supermarket shelves.

Recently I had the pleasure of hosting workplace delegates from the AMWU's Food and Confectionary Division who visited Canberra to urge federal parliamentarians to take action on the issues threatening Australia's food processing industry. I congratulate Heidi Stenschke from Cerebos Sydney, Jenny James from the Gippsland Food Company, Peter Brown from Mars Ballarat, Deb Green from Heinz Echuca and Leigh Monson from Simplot Ulverstone for coming to Canberra to share their stories and their vision for the future of their industry. They, like I, recognise that food manufacturing is a critical industry in our economy and that it is the largest sector of Australia's manufacturing industry.

Food and beverage manufacturing turns over \$86½ billion dollars and earns just under \$15 billion dollars in exports annually. There are 225,000 people directly employed in the food and beverage manufacturing industry, while hundreds of thousands more are indirectly employed in primary production, printing, packaging, transport, logistics, maintenance and science and technology. Manufacturing businesses recognise the benefits of a skilled workforce, provide skills and training for young people, and are a leading engine for R&D and for innovation. They are key platforms to making Australia competitive and unlock long-term sustainable economic growth.

Importantly, many of the more than 30,000 food and beverage manufacturing businesses that operate in regional Australia use the agriculture produced in their region, boosting employment and diversifying their local economy. For example, Simplot Ulverstone

produces frozen potato products from potatoes grown in the lush fields of north-west Tasmania. The facility purchases \$40 million worth of potatoes annually from over 300 local potato growers. Its sister facility in Devonport produces frozen vegetables from locally grown peas, beans, carrots and broccoli—among others—but also uses some imported product to smooth production across the farming cycle.

Australian food has always been able to sell itself on its high safety standards and quality expectations backed by investigation and testing regimes that ensure Australia's food production and manufacturing is safe and trusted by consumers. In fact, 60 per cent of Australians look for country of origin labelling to make purchasing decisions as they substitute 'product of Australia' for health information. Unfortunately, these same standards are not applied to processed food coming into Australia, creating an uneven playing field for local producers and manufacturers and threatening food safety. Australia enjoys the landmass, agriculture, horticulture and processing skills to feed its nation and export food to the globe. Loss of manufacturing skills and capabilities, coupled with an increasing reliance on imported food, has the potential to threaten both the security and sovereignty of our food supply.

The delegates met with all members of the Select Committee on Australia's Food Processing Sector as well as members and senators with food manufacturers in their electorates and raised major issues of concern to them and the workers they represent. It was definitely a busy few days for them. An issue for the delegates was the concentration of the food retail market in Australia, a market where just two companies, Coles and Woolworths, control as much as 80 per cent of all sales.

The big two are not just retailers, but they also manufacture their own private label brands in direct competition to stand-alone manufacturers. As a result, consumer choice and ability to 'shop around' has been severely hampered. The resultant market power means that Coles and Woolworths are able to set prices and dictate contractual terms to producers, resulting in manufacturers shedding jobs, relocating or exiting the market completely. This market share has continued to grow despite the entry of new players such as ALDI and Costco.

Shelf space is vital for independent retailers and Coles and Woolworths use this to leverage producers in negotiations. This has led to only one or two preferred suppliers in many food categories, with other independent brands being replaced by private labels. In just the last seven years, the amount of private labels on premium shelf space has almost doubled, and the supermarkets have not doubled the number of shelves in their stores.

The delegates were concerned that private labels are given premium shelf space regardless of quality, consumer preference or price because doing so drives out competition and increases the supermarkets' profit margins. Despite claims that private label goods create benefits for local processors through an ability to utilize spare capacity, there has actually been a proportionate increase in imported food and an increase in the private label share of supermarket sales over the past nine years. And, as if the current level is not enough, Woolworths's new CEO has stated that they plan to double the sales of their private label in the next five years.

The delegates then highlighted how current labelling of food products in Australia, particularly country of origin labelling, creates confusion for consumers. Terms such as 'Made in Australia' can be misleading to consumers as the product may have been grown and harvested elsewhere. Still more confusing is the use of labels such as 'Made in Australia from local and imported ingredients', leaving consumers confused about which ingredients were sourced locally and what quality standards have been applied. About 60 per cent of Australians look for country of origin labelling when they purchase a product for the first time as they substitute it for health information. They read 'Australian Made' to mean quality and safety so it is vital that labelling is clear, accessible and understood by consumers.

The delegates told of the great opportunities available to Australia's food processors to export their goods to the rising middle class in Asia. They also told of Australia's challenge to make sure that we keep manufacturing here. Many multinational food companies, wooed by tax and trade concessions by Asian governments, already have established processing centres or are choosing to establish production facilities in Asia. To take advantage of Asian growth, Australian producers need to invest in research and development to drive innovation and open new markets. Further, our food industry must continue to lift productivity through investment in innovative new products which need to be researched and developed and require new food technologies, new plants and equipment and investment in a skilled workforce.

The role of the CSIRO must be noted here in developing innovative food technologies to benefit Australia's food industries and consumers. An example of their work is the Preshafruit juices, which began life in the labs at the CSIRO. The company now make the claim that they deliver 'the freshest, healthiest juice that tastes like you are biting into the fruit'—I tried the apple one and definitely agree! And this is needed in the face of increasing importation of food products, especially through private label sourcing. Cheaper imports that are not produced to the same standards required in Australia threaten local manufacturers and the jobs they provide. Imported food products are not subjected to the rigorous testing nor held to the same high standards that local food processors are. Through our trade arrangements with New Zealand, which does not have country of origin labelling laws, food arrives in Australia as a product of New Zealand although ingredients are often sourced from other countries with much lower safety standards than ours.

The rise of food imports and the subsequent loss of local manufacturing and, with it, the food growers who supply them threatens Australia's capacity to continue to enjoy sovereignty of its food supply. As the world's population continues to grow, many countries are seeking to secure their own food supply. It is not unimaginable that today's exporters could cease sending food overseas in favour of supplying their own population. Australia needs to be capable of processing its own food and supplying its own people in the first instance.

The delegates told of job shedding in a number of food manufacturers as they recognise they can no longer compete against low-price imports or in a hostile market created by the supermarket duopoly. Despite the challenges ahead for the food manufacturing industry, it was encouraging to hear that many of the politicians from both sides were receptive to the delegates' concerns. Workers in the food manufacturing industry know their industry—they know the issues and they actively look for solutions. There are countless stories of how collaborative workplaces are innovative workplaces. When workers are empowered to share their solutions to a problem, real solutions are achieved and the tired, defeatist arguments used by some to cut wages and conditions are not required.

It is in this spirit that these delegates came to Canberra to look constructively at the problems their industry faces. I thank them for their efforts in sharing their perspectives in Canberra and encourage them to continue advocating with their colleagues to improve the way Australia manufactures food and beverage products into the future.

**Senate adjourned at 23 : 12**