



AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

AFGC SUBMISSION

CALL FOR SUBMISSIONS –

**SUSTAINABLE FUNDING AND INVESTMENT TO
STRENGTHEN BIOSECURITY**

2 December 2022

Sustaining Australia

PREFACE

The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, beverage and grocery manufacturing sector. The membership of AFGC comprises more than 180 companies, subsidiaries, and associates.

Food, beverage, and grocery manufacturing together forms Australia's largest manufacturing sector, representing 32 per cent of total manufacturing turnover in Australia. This \$132 billion sector significantly contributes to the Australian economy and directly employs 270,800 Australians, with many more employed across an expansive supply chain.

The diverse and sustainable industry is made up of 16,000 businesses and accounts for \$81 billion of the nation's international trade. These businesses range from some of the largest globally significant multinational companies to small and medium enterprises. Industry made \$2.8 billion in capital investment in 2018-19.

Many food manufacturing plants are located outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with almost 40 per cent of the total persons employed being in rural and regional Australia.

It is essential to the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance, and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

In Australia, the food and beverage (grocery was not included in the Government's strategy but is recognised as a vital industry) manufacturing sector has been confirmed as an essential service and a National Strategic Priority.

The Australian Government through its recently announced Manufacturing Strategy has challenged the sector to develop an industry roadmap describing how it will contribute to the post-COVID-19 recovery through expanding manufacturing, growing jobs, boosting exports, and enhancing sovereign capability across the sector.

Food and beverage manufacturing plays an integral role in Australia's economic and social fabric. It is the lifeblood of many regional and rural communities. As such it is well placed to do the heavy lifting in the Manufacturing Strategy through its size, its know-how in adding value to the commodities of the agricultural sector, and to leverage the reputation for safety and quality among consumers in overseas markets.

OVERVIEW

The Australian Food and Grocery Council (AFGC) welcomes this opportunity to comment on Department of Agriculture, Fisheries and Forestry's (DAFF) *Call for submissions – Sustainable funding and investment to strengthen biosecurity*.

The AFGC strongly affirms its support for effective biosecurity measures to protect both Australia's population, economy, and environment. None of the concerns identified below regarding the measures proposed in the [Discussion paper](#) should be understood to detract from this strong support – rather, the AFGC is concerned to ensure that the food and grocery sector has the opportunity to be aware of its obligations and has the opportunity to fulfil its own role in Australia's biosecurity.

The AFGC notes that recent global disruptions, like the COVID-19 pandemic, combined with expected increases in international trade and travel, and the changing biosecurity profiles of near neighbours and trading partners, have placed additional pressure on the biosecurity system and its ability to respond with speed and scale to emerging threats.

The submission is developed with the experience of AFGC members' significant and unsustainable demurrage related impacts arising from acute disruptions and underlying biosecurity operational inefficiencies in the imported goods inspection system. These issues are having a material impact on the food and grocery supply industry's profitability, supply chain efficiency and ability to meet consumer demand. We do not address the terms of reference in full.

COMMENTS

The AFGC shares DAFF's view that a strong biosecurity system is critical to protecting Australia's economy, environment, and way of life. Australia's geographic location acted as a natural biosecurity barrier to pests and diseases when the country's trade intensity was low. However, Australia is now a vibrant and diverse economy increasingly reliant on global trade for much of its economic activities. According to data from the World Bank, Australia's trade as a percentage of GDP has almost doubled in the last 30 years¹. Every Australian reaps the benefits of the increased trade intensity by getting access to a wide range of inputs or products from overseas that would otherwise be nearly impossible or expensive to produce or acquire domestically.

Australia is an open and developed economy that is critically reliant on the import of products and inputs to fulfill the demand of an increasingly multicultural population. In the food manufacturing sector alone, the country is reliant on imports of specialist ingredients and other food components (food additives, colouring, flavouring, and processing aids) for the very diverse food supply which Australians currently enjoy. Moreover, other inputs such as packaging, manufacturing plant and equipment, disinfectants, and personal protective equipment (PPE) are imported and are critical to the manufacture of the wide range of foods on supermarket shelves.

¹ World Bank, 2022. Trade (% of GDP) - Australia. [worldbank.org](https://data.worldbank.org/SH.UY.KD)

Globalisation and Australia's involvement in the global economy have increased the rate at which both people and products move into the country, increasing the likelihood of introducing foreign pests and diseases. According to an inquiry conducted by the Productivity Commission over 90 percent of the imported goods are transported through containerised ocean freight. Given that the containerised freight task is forecasted to at least double at the three largest Australian ports by 2050² there is a need for enhancing the efficiency of our biosecurity system to safeguard the environmental assets whilst also facilitating global trade.

Australia operates one of the most comprehensive biosecurity systems in the world. However, recent events, like the COVID-19 pandemic, have placed additional pressures over an already complex system resulting in significant delays and disruptions to the economy. A recent inquiry conducted by the Productivity Commission found that inquiry participants were frustrated with some of the complexities and inefficiencies of the biosecurity system. Among the issues raised were the extensive delays in inspection appointments and approvals, administrative complexity, paper-based process for booking biosecurity inspections and duplication of information required by government departments³.

Preliminary results from a survey conducted by the AFGC of its member base show that 71 percent of respondents importing products or inputs into Australia have had containers detained in the last 12 months due to delays in border clearance processes. The additional lead times due to delays in biosecurity inspections differed from five days up to two and a half months. These delays not only affect companies importing perishable products, but they contribute to food wastage and ultimately reduce food and grocery availability to Australian consumers.

Inefficiencies and delays in border clearance processes have resulted in added financial burden for importers as these companies must pay additional demurrage fees for the extended use of containers. Surveyed AFGC members advised that over the past 12 months their demurrage bills have increased 189 percent on average as a direct effect of delayed biosecurity inspections. However, some members have informed the AFGC that their demurrage costs have been sixfold greater than in the same previous 12-month period.

In addition to demurrage fees, companies must often cover costs related to storage of containers until the biosecurity inspection is completed. Surveyed members indicated that in the past 12 months their additional storage costs have increased an average of 126 percent due to delayed inspections. Similar to demurrage costs, some companies have seen their warehousing bills increase sixfold due to lack of timely biosecurity inspections.

The costs indirectly imposed on manufacturers and importers as a result of complex and inefficient processes are damaging Australian businesses. Given the current market conditions and the complexity for passing through the additional costs to consumers, most businesses have been absorbing the financial burden. Whilst Australian consumers might not face price increases of the same magnitude of the additional costs imposed by inefficient biosecurity processes to businesses, they are also impacted by

² Productivity Commission, 2022. Lifting Productivity at Australia's container ports: between water, wharf and warehouse. Draft Report.

³ Productivity Commission, 2022.

product shortages and empty shelves at their local supermarket. Therefore, there is a strong case for modernising and streamlining processes in order to increase efficiency whilst strengthening the biosecurity system.

ELEMENTS OF A SUSTAINABLE BIOSECURITY FUNDING MODEL

The AFGC supports DAFF's [Commonwealth Biosecurity 2030](#) strategic roadmap (roadmap) as it sets out nine strategic actions needed to lift the department's biosecurity capability. One of the nine actions is to align the Commonwealth's funding and investment model to emerging system needs, ensuring that funding and investment strategies are fit for purpose and sustainable for the long-term and that biosecurity partners contribute equitably.

The AFGC agrees that all Australians including producers, industry and individuals benefit from the biosecurity system. Hence biosecurity is a shared responsibility which requires a mixed funding model. Having said that, the AFGC is of the view that the onus for safeguarding the nation must be on the government without imposing unreasonable costs on the industry, and with limited support from the taxpayers. The AFGC notes the funding options and supports the following:

"Increasing the level of government funding through budget appropriation."

This will enable additional allocation of resources to address the ongoing disruptions of commercial cargo imports, including managing and reducing the number of delays, and investing in capabilities to increase and improve the department's service offering, for instance, fulfilling the shortage of skilled biosecurity officers, which remains an ongoing issue.

The AFGC supports in principle having industry cost-recovery arrangements but considers these charges must be in accordance with the services provided, and not impose any additional and unreasonable costs on the industry as the additional costs previously described. In this regard, the AFGC considers the funding model should not lose sight of the Monitoring and Evaluation principles of ensuring that any activity attains its objectives and does so in the most efficient way possible.⁴ Therefore, any cost-recovery arrangements should come hand in hand with clear performance indicators to monitor the efficiency of service delivery and the cost-effectiveness of the funding support provided by industry.

COMMENTS ON INVESTMENTS TO SUPPORT OPERATIONS

In terms of investment opportunities, the AFGC notes and supports that:

"There is scope to explore opportunities to remove unnecessary compliance costs from the system through changes to policy and practice that incentivise good behaviour and remove redundant requirements."

The AFGC understands that one of the roadmap's strategic actions is to develop and transform the biosecurity arrangements by enhancing data analytics and integrated digital information capabilities. It notes that the roadmap aspires to achieve this by enabling an integrated, secure, data-driven and

⁴ OECD 2019. *Monitoring and Evaluation: A brief guide for investment promotion agencies*.

technology-enabled biosecurity system overseas, at the nation's borders and within Australia. The AFGC is fully supportive of these aspirations and encourages DAFF to continue to explore and adopt new and emerging technologies which are revolutionising how governments and industry operate.

The AFGC shares the government's vision of building a bigger, better trained, and productive workforce to create greater opportunities for Australians and Australian businesses. A highly skilled workforce is imperative to providing specialist skills required to fulfill core roles and responsibilities. Hence, the AFGC is strongly supportive of continued investment in a skilled and responsive workforce to:

"Increase regulatory capability and establish stronger industry and government partnerships across the supply chain."

Moreover, for enabling smoother operations, the AFGC recommends leveraging existing schemes such as [Food Import Compliance Agreements](#) (FICAs) and [Virtual label and visual inspections](#) to encourage greater uptake of these valuable schemes by the industry.

The AFGC is aware of some of its members who have established a very strong track record of being compliant with import requirements for eligible foods. For instance, one AFGC member stated that they hold 100 percent compliance on their inspections this year to date with 1,082 inspections completed and zero fails on import as they take the quality and compliance requirements very seriously.

The AFGC considers the onerousness associated with biosecurity inspections can be reduced for eligible food products imported under a FICA as they will not be subject to potential delay and costs associated with inspection and testing under the Imported Food Inspection Scheme (IFIS).

CONCLUSION

The AFGC strongly affirms its support for effective biosecurity measures to protect both Australia's population, economy, and environment through a balance and sustainable funding model.

Persistent underlying market issues in the biosecurity system, exacerbated by the COVID-19 pandemic and more recently the Ukraine/Russia war, are having a material impact on the food and grocery supply industry's profitability, competitiveness, and sustainability.

The AFGC supports many of the recommendations contained in the Discussion paper and in the [Commonwealth Biosecurity 2030](#) strategic roadmap as it tackles the structural inefficiencies in Australia's biosecurity system.

The AFGC would welcome the opportunity to make further comments and recommendations to highlight the issues that are having the most impact on AFGC members should the information be required.

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