Submission to

The

Review of Quarantine and Biosecurity

Submission made on behalf of:

Primo Smallgoods Australia

KR Castlemaine Foods Pty Ltd; and

Ridder Fresh Smallgoods

Introduction

1.1 On 19 February 2008, the Minister for Agriculture, the Hon Tony Burke MP, announced the first significant review into Australia's quarantine and biosecurity arrangements in more than ten years. The Quarantine and Biosecurity Review Panel released an issues paper on 14 March 2008 to prompt responses from Australian and international stakeholders.

1.2 This submission is made on behalf of a number of Australian smallgoods manufacturers with interests in ensuring that Australia's quarantine and biosecurity arrangements do not unfairly restrict trade in an area of increasing commercial importance.

Australia's smallgoods industry

2.1 Little statistical information is available on the Australian smallgoods industry. Information sourced from the industry shows that:

- As at 2008, there are 4 major smallgoods manufacturers employing more than 1500 employees (Primo Smallgoods Australia, Hans Smallgoods, KR Castlemaine Foods Pty Ltd and Don Smallgoods), and 3 medium sized smallgoods manufacturers employing more than 200 employees (Ridder Fresh, Bertocchi, D'orsogna). There are also a number of smaller manufacturers. In 1999, the Productivity Commission identified that there were around 140 bacon, ham and smallgoods manufacturers with a turnover of A$1.2 billion. Industry estimates today now put turnover at around $2 billion.
- Together, these manufacturers represent approximately 70 per cent of smallgoods activity in Australian supermarkets.
- Pork represents anywhere from 60-80 per cent of the smallgoods sector's meat input, of which 60 per cent comes from imported pigmeat.
- The industry is characterised by a high level of domestic consumption, low levels of exports, and low volume sales of a large number of product items.

Australia's quarantine and biosecurity arrangements

3.1 Australia's quarantine and biosecurity arrangements are an essential component in Australia's efforts to protect Australia's unique and diverse flora and fauna. Increased international trade and travel, the ongoing and ever changing threat of terrorism and environmental and climatic changes each pose new and complex challenges to Australia's unique flora and fauna. In their own way, each of these challenges reinforce the importance of having a rigorous biosecurity and quarantine system.

3.2 It is essential therefore, that Australia's biosecurity and quarantine systems operate solely on a science-based policy of managed risk. As the Department's discussion paper identifies, this must include an integrated approach, with:

- an Appropriate Level of Protection (ALOP) of very low but not zero risk;
- a 'continuum of quarantine' so that intervention measures progressively reduce risk through pre-border, border and post-border activities, and

- responsibility shared between the different layers of government, importers, exporters and the community.

3.3 Nonetheless, while recognizing that Australia's biosecurity and quarantine systems must protect against pest and diseases entering Australia, these must be done in a manner that does not unreasonably restrict the flow of trade between Australia and our international trading partners. Quarantine and biosecurity arrangements must be appropriate to the level of risk faced.

3.4 Consistent with its international obligations under the SPS Agreement and other arrangements, Australia has long argued that quarantine arrangements should be based on sound science. The 1996 Nairn Review into Australia's quarantine arrangements recommended,

> *"Australia's international position on quarantine-related issues [should] be based on objective scientific principles consistent with Australia's national quarantine goal"*[1]

3.5 The conservative approach Australia takes to the application of science in determining an appropriate level of protection has been questioned by our international trading partners. As the Nairn Review went on to state,

> *"…membership of international organisations and participation in international arrangements confers both rights and obligations on Australia. As one individual's written submission aptly put it, 'open markets require open minds'. Australia has a reputation for pursuing a conservative approach to quarantine policy."*[2]

3.6 More than a decade later, and that reputation remains valid. While Australia is allowed to take a conservative approach to quarantine, it must be both scientifically based and consistently implemented.

3.7 To ensure that this is achieved, any review of the current structure of Australia's quarantine and biosecurity decision-making needs to take account of the reasons for decisions taken. As an essential component to an efficient and effective process of implementing biosecurity and quarantine, the authority for quarantine and biosecurity decisions should be streamlined and included in one organization within the Department of Agriculture, Fisheries and Forestry portfolio. Providing a single Agency with the central authority for such decision-making would lead to an emboldened approach to quarantine matters based on science and without the interference of domestic, State and other vested interests.

Industry concerns

4.1 Like our international trading partners, Australian industry is also concerned that Australia's quarantine and biosecurity arrangements are not always based on sound science. A number of quarantine and biosecurity decisions over the past decade have left the distinct impression that Australian quarantine and biosecurity arrangements are subject, amongst other things, to excessive political pressure, particularly when it relates to industry protection. In other instances the approach to import risk have not been seen to be consistent with the scientific evidence available or

[1] Recommendation 24, 1996 Nairn Review, *Australian Quarantine: A shared responsibility*, p.9

[2] 1996 Nairn Review, *Australian Quarantine: A shared responsibility*, p.75

with Australia's ALOP. These include, inter alia, past decisions on the importation of Philippine bananas, New Zealand apples and imported pigmeat.

4.2 Although regional quarantine and biosecurity protection is an important consideration, there is also some concern about the commercial influence within individual States and Territories of vested interests in determining national import risk assessments. For example, decisions pertaining to import restrictions on Philippine bananas had the effect of protecting Queensland banana growers while restricting consumer access in other States and Territories to fresh bananas. This is despite the fact that any quarantine or biosecurity risk associated with imported bananas would have been minimal in southern markets. Providing an agency within the Department of Agriculture, Forestry and Fisheries portfolio complete authority over quarantine decisions would overcome this difficulty (both perceived and actual), because it would curb the influence of State and commercial interests over quarantine decisions.

4.3 Providing interested domestic and international stakeholders an opportunity to comment on draft IRA decisions before they are finalized would increase the transparency of decisions taken and would also compel Biosecurity Australia (or alternative Commonwealth agency within the DAFF portfolio) to weigh the concerns of those stakeholders against the available science in a transparent and open manner. This would also increase the likelihood that there is greater 'buy-in' by the Australian community of decisions taken by Biosecurity Australia. On**e** means of improving the international acceptance of the scientific findings, is to include more international experts as part of the Eminent Scientists Group in the peer review process.

4.4 In addition, there is some concern that extreme and disproportionate attention is paid to the economic impact on domestic industry where a decision is taken to *not* allow imported produce, or to restrict importation of agricultural produce. In keeping with Australia's international obligations, science should be the basis for any new or revised regulation, not the economic impact. Providing an economic assessment as part of final IRA decisions would provide a whole-of-economy approach to Australia's biosecurity and quarantine arrangements and increase the transparency and thoroughness of their findings.

Pigmeat imports

4.5 A case in point is the importation of pigmeat. Despite protests from Australia's fresh pigmeat industry, amendments have progressively been made since 1990 to Australia's quarantine prohibitions of pigmeat to permit imports of uncooked (frozen) and cooked pigmeat from several countries, particularly Canada, Denmark and the United States. This has only increased overall consumption of pigmeat in Australia as well as increasing the scale and operation of Australia's domestic smallgoods industry. Imported pigmeat is now a significant economic input into that industry. Imported pig meat forms part of the raw materials used by smallgoods manufacturers to produce their products. Imports include legs, short loin, middles, rumps as well as some trim, for manufacturing into smallgoods such as hams, bacon, salamis and sausages.

4.6 Nonetheless, current import arrangements mean that before any imports are permitted from a particular country, the disease status of the exporting country must be first assessed. Specific import conditions must then be developed. As the Productivity Commission's recently released report into the possible application of safeguards for the pigmeat industry identifies:

> *"Current quarantine protocols require frozen pigmeat imports to be boned and, on arrival in Australia, cooked to specific temperatures in approved processing facilities, to minimise the risk of disease contamination. These requirements mean that imports of cooked and uncooked pigmeat comprise boned 'primal' cuts such as legs, shoulders and middles, which can only be used by smallgoods manufacturers (mainly for ham and bacon). The fresh pork market, as well as smallgoods markets for 'ham-on-the-bone' and uncooked salami, continue to be supplied entirely from local production…"*[3]

It is unclear what the underpinning science of this decision is. The available science all indicates that there is negligible risk from transmission of porcine reproductive and respiratory syndrome (PRRS) from a country with PRRS into a domestic herd that is believed to be free of PRRS. In a recent European Food Safety Authority (EFSA) study it was concluded that infectivity of PRRS is lost from meat stored in a refrigerator after only a few days. Considering the transport time required for meat from North America or Europe, imported chilled pigmeat would be expected to have no infectivity.[4]

4.7 As the Food and Beverage Importers Association submission to that same PC Inquiry pointed out, uncooked pigmeat has previously been allowed into Australia from any country under previous quarantine arrangements, so long as those import conditions were met:

> *"In 2004, Biosecurity Australia completed a generic Import Risk Analysis (IRA) for pigmeat. The IRA was 'generic' in that it was not restricted to specific exporting countries; rather the import conditions recommended as a result of the IRA were applicable to any country provided that they could be met to the satisfaction of Australian authorities. Up to the finalization of this IRA, assessment of quarantine risks had been on a country by country or product basis. For example, imports of certain uncooked pigmeat had been permitted from Denmark and from Canada and imports of canned pigmeat were also permitted."*[5]

4.8 Despite current unscientific restrictions on imported pigmeat, imports have continued to increase in market share.[6] The Productivity Commission has identified that since 2002-03, the import share of the processed pork market has increased, from 33 per cent to 67 per cent. In terms of the total Australian market for pork, imports now account for around 37 per cent, compared with less than 20 per cent in 2002.

4.9 Despite the Productivity Commission finding otherwise, Australian pigmeat producers continue to argue that this growth in imports is adversely affecting domestic commercial operations, including the very economic viability of some producers in the industry. As the Productivity Commission

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[3] Productivity Commission Safeguards Inquiry into the Import of Pigmeat, Productivity Commission report, 3 April 2008, XV-XVI

[4] See for example, the scientific opinion on "*the probability of transmission of Porcine Reproductive and Respiratory Syndrom virus (PRRSv) to naïve pigs via fresh meat"*, EFSA Journal (2005) 239, 1-85

[5] Food and Beverage Importers Association submission, *Safeguards Inquiry into the Importation of Pigmeat*, p.1

[6] Productivity Commission Safeguards Inquiry into the Import of Pigmeat, Productivity Commission report, 3 April 2008, XIX

found, the opening of the market to imported cuts has essentially capped prices for equivalent locally-produced cuts at world prices.

4.10 However, direct competition between domestic and imported cuts of pigmeat in the processing sector has encouraged domestic producers to switch supply to, and promote expansion of, the domestic fresh pigmeat market and to some limited exports. Domestic fresh pork consumption steadily increased by about 40 per cent between 2002-03 and 2006-07, compared with 10 per cent for processed pork. The share of fresh pork in total consumption of pigmeat rose from around 39 per cent in 2002-03 to 45 per cent in 2006-07.[7]

4.11 Import competition has also promoted efficiency and quality improvements in the Australian pigmeat industry. In the absence of growth in domestic production of pigmeat in recent years, imports have met market growth in total pigmeat consumption, providing key inputs to smallgoods manufacturers.

4.12 Pig meat imports also provide smallgoods manufacturers with a means of remaining viable as trusted and consistent suppliers to major domestic retail chains. As the Australian Meat Industry Council submission to the 2004 Productivity Commission Inquiry into the pigmeat industry identified,

> *…some retail supply arrangements have forced smallgoods manufacturers into more expensive distribution arrangements, and this affects returns to manufacturing. Imports can play a key role in reducing raw material costs and maintaining smallgoods profitability.*

4.13 Restrictions on the importation of pig genetics into Australia is also of concern. Australian producers currently rely on domestic gene sources for their herds. Although Biosecurity Australia is currently looking at this matter, several submissions to the Productivity Commission's safeguards inquiry identified current quarantine restrictions as disadvantaging Australia's domestic pig industry. The NSW Department of Primary Industries identified this lack of access to genetic material as a significant impediment to productivity improvement within the industry, particularly given that the existing significant trade in genetic material between Europe and North America has effectively created a larger gene pool from which producers can improve desirable genetic traits.[8]

4.14 Growth in the market for imported pigmeat has occurred at a time when domestic production has not been able to keep up with domestic consumption. In this context then, consideration should be given to reviewing quarantine and biosecurity arrangements to ensure that Australian consumers and producers are able to access pigmeat where no scientific reason can be identified for not doing so. This also reinforces the importance of increasing the transparency of decisions taken, and ensuring that the decision making process is undertaken in the overall national interest, and not overly influenced by States and Territories, and that it remains within a single agency at the Department of Agriculture, Forestry and Fisheries portfolio.

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[7] Productivity Commission Safeguards Inquiry into the Import of Pigmeat, Productivity Commission report, 3 April 2008, p.37

[8] Productivity Commission Safeguards Inquiry into the Import of Pigmeat, Productivity Commission report, 3 April 2008, p.67

Conclusion and recommendations

5.1 Australia's quarantine and biosecurity arrangements and the systems that underpin them must serve to protect Australia's pest and disease status, consistent with community expectations and international obligations. These arrangements must do so while not unfairly or unnecessarily restricting access to imported produce and/or goods.

5.2 Put simply, Australia's international reputation and the viability and sustainability of domestic food manufacturing mean that Australia cannot afford to have our quarantine and biosecurity arrangements used as a vehicle through which to protect uncompetitive domestic industries.

5.3 While recognizing that the primary task of Australia's quarantine and biosecurity arrangements is to continue to protect Australia's pest and disease status, the Federal Government should consider reviewing not just the operating requirements of Australia's quarantine and biosecurity system, but also the appropriateness of existing import restrictions. This particularly applies where those import restrictions deprive Australian consumers of choice in the market place with no apparent scientific basis, such as the restrictions on the importation of pigmeat.

5.4 In addition, the import risk analysis process itself should be reviewed with a goal to increasing greater transparency to enable a clearer understanding as to why particular decisions have been taken. These decisions must be based on the best available science and reviewed by a diverse group of scientists and experts within the Eminent Scientists Group.

5.5 Finally, while consideration of Australia's overall biosecurity and quarantine arrangements will touch on the appropriateness of existing mechanisms and processes in a changed physical and political environment (including through climate change and the threat of terrorism) the Review should be mindful of potential impacts any change may have to domestic industry. This includes potential operational impacts arising from institutional change within and across Commonwealth Agencies and the infrastructure that currently underpins Australia's biosecurity and quarantine arrangements.