



HD Current Outlook

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The Victorian city of Shepparton breathed a sigh of relief when a deal was struck to save SPC Ardmoma from closure. But there are still many challenges ahead for the food processing plant and Victorian fruitgrowers.

PIP COURTNEY, PRESENTER: The Victorian regional city of Shepparton is breathing a sigh of relief after a deal was struck to save SPC Ardmoma from closure. The iconic Shepparton food processor has secured a crucial investment deal with the Victorian Government, ending weeks of speculation about the **company's** future.

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It's been a tough few years for Shepparton and the surrounding Goulburn Valley. Fruit growers have been bulldozing thousands of pear trees because of a downturn in demand partly caused by a high Australian dollar.

SPC has invested **millions** of dollars in new equipment to create new products for export, as Landline discovered just over a year ago.

VINCE PINNERI, SPC ARDMONA (Landline, Nov. 2012): Probably the simplest way to describe it is, historically, you would have bought, you know, a lettuce, now you **buy** a bag of lettuce. We intend to do the same with initially apples where currently you **buy**, you know, individual apples and now you'll be able to **buy** sliced, prepared apples in the fruit and veg' section of all of your supermarkets. What the technology does, it allows us to process the product, ensure its freshness and crispness, to extend the shelf life of the product, so therefore Mum knows that when she puts it in a lunchbox, that it's always going to be fresh until her kids consume the product.

PIP COURTNEY: But this attempt to move away from a reliance on canned fruit has been fraught with difficulty. SPC Ardmoma's future looked grim when the Federal Government last month rejected a request from the **company's** owner, Coca-Cola Amatil, for \$25 **million** in taxpayer assistance.

Late this week the Victorian Coalition Government came to the rescue with a \$22 **million** contribution to a \$100 **million** co-investment plan with the **company**.

DENIS NAPHTHINE, VICTORIAN PREMIER: This is a great co-investment about the future of jobs, the future of SPC Ardmoma and the future of the food processing industry in Shepparton and Victoria.

PETER KELLY, SPC ARDMONA: I'm up for growing the **company** and employing as many people as I can. I'm not very interested in closing things down, shutting things down, getting smaller. I'd like to launch successful new products and grow the category.

PIP COURTNEY: But there are still many challenges ahead if the food processing plant wants to secure a long-term future. When Tim Lee spoke to the deputy chair of Fruit Growers Victoria, Gary Godwill, he began by asking: how dire is the current outlook?

GARY GODWILL, FRUIT GROWERS VICTORIA: The picture now, with the promise of the \$22 **million** from the State Government, is looking a lot better than it was. We had hoped the Federal Government would come in with \$25. They haven't done that. I'm bitterly disappointed about that still. I thought the reasons that they gave for not putting in the money were quite pathetic, really. They seemed to be blaming

the workers of SPC Ardmona. I don't think that carries any weight at all. Just very, very disappointed that they saw that as the reason for knocking that decision - that input on the head.

TIM LEE, REPORTER: So what do you see as the real reason behind what, I guess, is really a slow-moving crisis?

GARY GODWILL: The real reasons behind it are reasons that are outside the control of SPC Ardmona or Coca-Cola Amatil or any of us. They are macro policies such as the unwillingness to stop dumping, the unwillingness to have tariff equalisation. If we export to **China**, for example, we pay a 20 per cent tariff; if they bring anything in here, it's zero tariff. And it's the same all over Europe. It seems to me that our government goes hell for leather to get a low CPI and keep interest rates down, but it's at the expense of local industry and ultimately the expense of local jobs.

TIM LEE: You've had a high Australian dollar, would have been another conspiring factor.

GARY GODWILL: That is. Other countries deal with that. They'll simply print more money or devalue if they have that ability. In Australia, we just let it float. We don't seem to care whether our own industries fall over, we don't seem to care if jobs fall over, we don't seem to care if we use imported products. That's a shame, but there is a bright spot on the horizon. Certainly SPC Ardmona's sales have increased dramatically quite recently because of all of the publicity that it has gained. Now, that's good, I'm grateful. I think it's a wonderful thing that people are now seeing the light in supporting Australian product.

TIM LEE: And I guess the question remains, though, if Coca-Cola Amatil can't make a go of it, who can? Have they done enough to ensure the future of fruit processing here in the Goulburn Valley?

GARY GODWILL: Look, if Coca-Cola Amatil can't make a go of SPC, let's face it, nobody can. With their ability to market, with their capital injection - let's face it, without them we wouldn't still be here. We would have gone broke quite some time ago. They've put in a huge amount of money already. They're promising to put in more money if they get a little bit of government help.

Hopefully the State Government announcement by Premier Napthine will be enough. I would still hope that it would be a glimmer of light on the horizon, that the Federal Government would come to the party and do something at least. I think they need to do something. They've done nothing at this stage. I'm hopeful.

TIM LEE: So how do you think that restructure money might be spent? I guess retooling into more user-friendly products.

GARY GODWILL: Not so much fresh. It will still be preserved fruit, but it will be in a different package. The old 825 steel can is - I suppose it still sells, but nowhere near as much as it used to. People don't sit down to a main meal as a family and at the end of the meal have a dessert of peaches and ice cream. People tend to eat on the go. A lot of people eat as they're walking or as they're in front of the television or as they're playing a game, station game, or something like that.

It's a different sort of a market now. And in order to satisfy that market, the factory has to be rejigged, retooled. The line that they have to do is a small packaged line, which is reasonably expensive to do, but it needs to be done efficiently, effectively and it needs to have a huge throughput in order to sell the amount of fruit that we need to sell to make it profitable.

TIM LEE: This nonetheless will come too late for a good many growers though who have been unable to change the varieties and have had heavy debt. Are there many that will have to simply get out of the industry and have already gone?

GARY GODWILL: Many have already gone, many more will go. They simply are suffering under the burden of debt. I would hope that as many as possible can hang on because SPC has a level at which it can't go below. Its critical mass has long been reached. I think it's gone below it. I think they've got to build up from this level now, otherwise it will simply drown under its own overheads.

TIM LEE: So if the unthinkable was to happen and SPC was to close, what would be the effect of that closure?

GARY GODWILL: Well if it did close, the carry-on effect right throughout the community would be horrific. It's not just the cannery, it's not just the growers, it's not just the workers, it's all of the allied people who work, the people in other contract aspects such as electricians, such as fitters, or plumbers - all of these sorts of people that assist in keeping the factory going, who are employed as contractors. It's where they spend their money, it's where everybody spends their money, it's the - all the way down to a corner **milk** bar.

TIM LEE: And today's announcement, does that give you some hope that there is a future for you and other fruit growers?

GARY GODWILL: Well we'll continue growing what we have in the ground at present. We've already pulled some, of course - we had to because it didn't have a home. I'll continue to grow cattle fodder on that ground until I can see a little bit more encouragement in the industry. I'm hopeful that that will be the case because really I don't believe I can efficiently grow cattle fodder with irrigation.

I think I've got to grow a crop where there's quite a bit of intensity, quite a bit of value, otherwise it's going to be very hard to overcome the overheads of increased irrigation prices, water service charges and electricity. They are the crippling costs that we're facing at present, not to mention the increases in sprays and fertilisers and labour and all of those things.

TIM LEE: So the challenge is there, but there is some optimism?

GARY GODWILL: There is a huge challenge ahead of us. The optimism is given to us in this announcement today. \$22 million is certainly better than nothing. I hope Coca-Cola Amatil will see the benefits in continuing on. It would be a shame if they did pull the pin, because I think under the present managing director, Peter Kelly, they've made huge inroads. One has been the increase in sales, another has been the ability to get into the supermarkets and appeal to them to support Australian. And of course, there's been the benefit of people buying Australian in an increasing amount since things became so difficult. People have seen the benefit in keeping jobs here and supporting the local industries and the local product.

PIP COURTNEY: That was Gary Godwill speaking to Tim Lee.

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