OUTER SUBURBAN/INTERFACE SERVICES AND DEVELOPMENT COMMITTEE

Inquiry into growing the suburbs — infrastructure and business development in outer suburban Melbourne

Broadmeadows — 6 March 2012

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Witness
Plenty Food Group
Mr M. Dwyer, coordinator
The CHAIR — We will start the formal part of this hearing today. I would like to welcome Mr Marshall Dwyer in his capacity as the coordinator of the Plenty Food Group. There are some formal things I need to include in the transcript before you speak to us. First and foremost, everything you contribute today is being recorded by Hansard and the hard copy of the transcript should be available to you in approximately two weeks for correction of spelling mistakes or typographical errors. There are acts of parliament that protect you in what you say here today while this hearing is configured at this time and in this place. Parliamentary privilege is extended to you so that we can have a full-bodied response from you to questions from the committee and anything you might feel you want to volunteer. The parliamentary privilege is extended whilst we are here; it is not extended whilst you are out of this domain and speaking on the same or related topics.

We welcome you and thank you for coming along today, and we are very interested to hear more about the opinions of the Plenty Food Group, especially as they pertain to the terms of reference for our inquiry into the growth of Melbourne’s outer suburbs. If you have some opening remarks, Mr Dwyer, we welcome those.

Mr DWYER — Thank you for the opportunity. I think I was told that I would have 5 minutes to speak and then there would be questions and answers. Is that correct?

The CHAIR — Yes, we like to follow that process. Please proceed.

Mr DWYER — The Plenty Food Group is a joint project that was initiated by the cities of Whittlesea and Hume back in 2003. Its main aim is to support our local food manufacturers. Over that time we have had support from the Victorian government, the federal government and also some private industry. The Plenty Food Group was essentially established because this region has one of the largest, if not the largest, cluster of food manufacturers within Australia. Our region essentially starts from Hume and from Campbellfield and goes all the way out to Sunbury and in the city of Whittlesea it goes from Thomastown up to the Whittlesea township and a little bit beyond.

The food manufacturing sector is extremely important to this region. At the moment, from a study we did in 2007, we believe it employs over 7000 people directly and is worth over $2.2 billion to the local economy. I think that figure would have grown a little in the years since because a lot of our food manufacturers are continuing to grow.

The role of the Plenty Food Group essentially is to be a conduit of information and services to and from food manufacturers. We provide them with information from government bodies, from food industry sectors, from education and training facilities — we work with Kangan Batman, RMIT University, Northern Metropolitan TAFE, Swinburne; pretty much a whole range of providers — and also suppliers and service providers to the food industry. At the moment on my database we have 155 food manufacturers. They will also employ anywhere from 2 people in a business to 700-plus. That would probably be our larger food manufacturers like Costa Exchange or Mushroom Exchange in Mernda.

The CHAIR — Is affiliation with the food group voluntary or compulsory?

Mr DWYER — Voluntary. Essentially we have two levels of membership. There is financial membership and there is just being in the area. Every food manufacturer in the area is on our database, and we communicate with all of them. The ones that wish to be financial members will get a higher priority over those that do not pay, but essentially every service that the Plenty Food Group provides is open to every food manufacturer. What we tend to find is that with different initiatives we get different food manufacturers coming on board and then becoming financial members and staying financial members. I think in the early days we had 9 financial members; at the moment I believe it is 38 and still growing.

The CHAIR — The Plenty Food Group is funded by membership subscriptions?

Mr DWYER — The majority of our funding comes from the cities of Whittlesea and Hume equally, plus subscriptions on top of that. We also seek additional funding through the Victorian and federal government. For the latest study that is due for completion any day now we have had funding from Regional Development Australia. When we can, we participate in Victorian government programs. I returned from a Middle East mission at the end of last week with the state government to promote our local food manufacturers to the Middle East markets and Dubai. We receive funding from that. Also our food manufacturers will see some funding from that as well.
Key industries in the region include dairy, confectionery, meat, poultry, bakery and beverage, and there are a whole lot of specialty manufacturers in there as well, such as antipasto, Asian-style foods or European-style foods. They produce food for the retail markets, the food industry and also the hospitality sectors. That is going to include hospitals, caterers, major events like the tennis and races, even prisons, and hospitals. Our people supply the whole gamut of the food industry, including your retailers and restaurants.

One very interesting thing we have discovered from our current study is that we believe our local industry manufactures over 30,000 SKUs, or product lines, to the region. Of that 150 food manufacturers some might have up to 800-plus SKUs. The definition of SKUs is ‘stock-keeping units’, essentially a product line. One manufacturer might make a sole product but he might develop it into eight different styles, so there would be eight different SKUs for eight different markets.

The Plenty Food Group over the years has had to develop a focus on marketing for the industry. With the diversification we have with the industry types we cannot concentrate just on one area like, say, poultry or one area like bakery, otherwise we would be ignoring the other areas, so we have developed a focus on marketing, and a lot of that is being sent in the direction of export for the food manufacturers. We have to date participated in, I think, seven international trade shows. We have hosted delegations that have come from overseas to Australia from Dubai, from Singapore and even from Brunei, and had special showcases for those manufacturers to assist in promoting their materials and also get export dollars for our local food manufacturers.

The CHAIR — Is the promotion and marketing of the local food manufacturers based on the brands, the region, the state or a national offering? Which direction do you take, or is it a mix of all?

Mr DWYER — I would say that it would be a mix of all. At the last mission we participated in, which was in the Middle East, we participated on the state government stand, so that was a regional thing. We have a trade mission coming up to Singapore. We are taking seven companies across physically, and all up we will be promoting about 30 companies that have product which will interest that region. We will also promote the Plenty Food Group as a whole in case someone comes to us and says, ‘Have you got this product?’ and it is not there. Hopefully we will be able to assist them with that inquiry.

But when we are doing shows such as Food and Hotel Asia in Singapore we participate with the Victorian state government, which will have representatives there. They will be helping with business matching. I guess the Plenty Food Group’s role is very similar to that of the state government, but it is more micromanaged. The Plenty Food Group will assist their members with a lot of their marketing materials, getting the stand built and getting their product there. Essentially all the food manufacturer needs to do when he arrives is put his product on display and sell his product to potential buyers. A lot of the time food manufacturers would not have the finances or the resources or the time to do it on their own.

In this case the role of the Plenty Food Group is essentially to assist them to get their product in with relative ease and to reduce costs. For example, we have purchased 36 square metres of space. We have seven food manufacturers in that space, so we will actually be dividing that up relatively evenly, which will reduce costs. Instead of spending up to $6000 or $7000 to exhibit on a 3-metre by 3-metre stand they will get slightly less space and they will be paying about $3300. We will also help them with their marketing materials, which is another cost expense they will not have. Also with their set-up we will consolidate up to three or four pallets worth of product to go across, which will be a variety of frozen, chilled and dried products, and that is another way of reducing their costs to exhibit.

Probably one of the biggest leads we have had so far generated out of one of these shows was one manufacturer we took to Singapore in 2010. To that date they had had no exports. From that one show and the leads generated from it they have sold just over $1 million worth of products into the Singapore market. They have had to increase production. Their production facilities are now pretty much running at capacity and they are looking to expand. But the key point from that, and the benefit that the Plenty Food Group sees, is that they have had to increase employment and when they expand they are going to be increasing employment again, which is a key benefit.

The marketing side from the Plenty Food Group is not so much about generating money for our food manufacturers; it is making them more sustainable, helping them to grow and helping them to employ additional people, which is our aim for the local economy.

The CHAIR — Thanks very much. I am going to invite questions from the Deputy Chair.
Ms GRALEY — You work sounds very interesting and very important, so thank you for doing it.

Mr DWYER — Thank you.

Ms GRALEY — I want to return to what the Plenty Food Group and all the people who are members of it would like to see in the supply of local infrastructure, community infrastructure, roads and things like that, but also in terms of social infrastructure like education for the new workforce.

Mr DWYER — Probably one of the biggest things to do with education for the new workforce would be English. A lot of the food manufacturers employ new immigrants or a lot of non-English-speaking people. We have one manufacturer who does not advertise when he employs; he goes down to the warehouse floor and tells his staff. He has gone through a lot of different cultures through doing that. I think in the early days he had a lot of Asian employees. At the moment I think he is going towards more Middle Eastern. They have family and friends and they recommend people. He goes through different cultures, depending on his needs at the time. The demographic changes constantly. One of the issues is probably basic English in the workplace.

Logistics is extremely important for the food manufacturers. Probably one of the main reasons why this region is such a large hub is because we are very close to Melbourne international airport. We have the Western Ring Road here and we are very close to the Calder Freeway and the Hume Highway, which gives a lot of access to Melbourne’s CBD as well as to the ports for export, all of which is highly important. In terms of the food manufacturers, logistics is probably one of their top four expenses. A food manufacturer could be spending anywhere between $30 000 and $60 000 a month on logistics, which basically takes out a lot of their profit. If you can reduce costs, it is potentially an additional person that can be employed.

The Plenty Food Group is completing a study as we speak, which is due to come out at the end of the week. One of the key purposes of that relates to logistics and trying to find out where they need to send their product and where a lot of the resources come from as well. One of the main issues is the distance for logistics. When they sell to the likes of the major supermarkets, they need to pay for the costs of freight. For the eastern states to get products to distribution centres locally is not a problem, but most of the food manufacturers make a loss on the products they sell to the western states because of freight costs. If we can find additional or new and more cost-effective ways of getting freight around Australia, even internationally, that is going to help the bottom line of food manufacturers and help them to become more profitable and more sustainable and to employ more people.

The CHAIR — The concept of an inland port has been foreshadowed. Would you like to make some comments on what you would like to see happen around that inland port and how it might improve the cost burden of freight movement and handling to manufacturers — the intermodal connections?

Mr DWYER — Yes. I do not know a lot about that at the moment; I have not had a chance to focus on or look into that.

The CHAIR — If you had a wish list.

Mr DWYER — If I had a wish list, I would really like to see one very large facility in this region that food manufacturers could use for logistics and warehousing — one central point where they could send a lot of their product that they could trust and rely on for their products to get safely to an end destination. For example, we might have close to 40 or 50 manufacturers that supply to supermarkets; a lot of those food manufacturers make separate deliveries to those supermarkets, which are separate costs. If we can consolidate those and make a single delivery, that will assist them a great deal.

In peak manufacturing times, around Easter for European foods and Christmas for everything else, food manufacturers are in full swing, and a lot of the time they do not have the facilities to store all the product needed for those peak seasons. If there was a facility available that could handle that and help them to reduce their costs, that would be a great thing for the region.

The CHAIR — Thank you, Mr Dwyer.

Mr ONDARCHIE — I think Marshall is being extremely modest this morning. He did not talk about the fact that he took a number of companies to Fine Food Australia in Sydney. I think he took Da Vinci Foods, Simply Fresh, Montefiore Cheese —
Mr DWYER — Yes.

Mr ONDARCHIE — and a muesli company. They wrote a whole lot of business at Fine Food Australia in Sydney, and this year Fine Food Australia will be in Melbourne. But you did touch on the mushroom facility out in Mernda. Would you like to talk to us about what they have done recently and also talk about where their employees come from, particularly locally?

Mr DWYER — In peak times Mushroom Exchange employs 700-plus people. A lot of the staff are immigrants, a lot of them are female and a lot of them do not speak English well — my English nearly was not too good then either!

Ms GRALEY — We all have moments.

Mr DWYER — Mushroom Exchange has a lot of migrant programs that it employs out there. There are also programs for women. They are very strong advocates for having a skilled, happy and healthy workforce. I think recently they won an award, and I cannot remember the name of it, but I think it had something to do with migrant workers. A lot of their staff come from the Broadmeadows region and all the way out to Mernda. They are low-income earners, but I think a lot of the people who work there are proud of what they do. They enjoy working there; it is a great workplace in which to work. I did a tour around the factory about three months ago. It is a very large facility with very safe work practices. The work environment is a friendly and happy one, from accounting to the actual workspaces.

The CHAIR — How do they get there?

Mr DWYER — That I do not know; I have never asked that. There is a bus that runs out that way, and I guess also a lot of them will actually car-pool.

Ms McLEISH — Thank you. That sounds quite exciting, what has been happening in this area with the food group. One of the things that you talked was some of the incredible results that you have had and for those manufacturers, looking for them to expand. Are there places where they can go, to move into? Are there enough different locations that would be suitable?

Mr DWYER — There are a lot of locations that are suitable; there are a lot of industry parks around. A lot of the food manufacturers, when they relocate, try to find an existing factory, mainly because they have power and gas facilities there. I had one manufacturer who was looking to move out to Craigieburn — he actually even bought land — and ended up relocating to an existing food premises in Campbellfield because he could not get piped gas out at Craigieburn and electricity costs were going to be a great deal. Mind you, we still have plenty of other food manufacturers who are moving out there. It just comes down to their specific needs.

Power and gas are two very important needs for a lot of food manufacturers. A lot of them have very large chillers and freezers. For example, this room would be the size of a small freezer for some food manufacturers. Ovens are quite costly to run. So power consumption and gas are highly important. When a food manufacturer does relocate one of their expenses might even be just the allocation of power to the building. If gas is not available, they have to have gas tanks installed on their premises. If you drive around even the Campbellfield industrial estate, you will see very, very large white cylinders that are either upright or on their side. They are gas cylinders that manufacturers have had to bring in to provide gas for their ovens and other cooking because they cannot get piped gas. Those sorts of facilities are very important for food manufacturers wanting to relocate — even things such as broadband.

I do not know so much about the Hume region. I know a lot more about the Whittlesea region. When I first started at Whittlesea council one of my roles was to work on the broadband infrastructure there. We actually discovered that up to one-third of the Thomastown industrial estate did not have access to broadband. By the end of it, working with providers such as Telstra and Optus, and getting the services that they called cleaning the copper — removing old infrastructure — we were able to provide broadband to all those manufacturers that needed it at that date. I dare say that right now that has changed again and a lot more food manufacturers still need that technology, but hopefully with the NBN rollout a lot of that will be sorted out in the years to come.
The CHAIR — Looking through the lens of somebody who is looking at investing in the renewal or development of an industry park, where would you put the supply and demand equation in terms of uptake of existing space, and is there room for expansion?

Mr DWYER — I have not had a lot of work in that area, but from what I know from the existing industrial parks we are getting a lot of major food manufacturers moving in and custom-building sites. In the past three or four years we have had Gruma or Mission Foods move into the region. Currently they are employing about 350 people, I believe, and now they are looking to expand in that current new industrial park that they moved into and they are looking to employ up to 450 or more people on that site.

Other smaller food manufacturers are also moving into the region into custom-built facilities. We have had one other company called Edlyn’s foods that relocated about two years ago. They were employing 40 people; now they are employing 70 people. Their market has grown and developed, and the business has grown with it.

Ms HUTCHINS — With the expansion of the burbs further north, are you finding that agricultural land is being affected for any of your manufacturers?

Mr DWYER — I cannot really answer that question because a lot of my food manufacturers do not have anything to do with agriculture. It is all value-added processing or processed foods.

Ms HUTCHINS — So you have not come across any difficulties in sourcing particular product that may have flourished in the local area once upon a time?

Mr DWYER — No. The issues that we probably do have are about a couple of food manufacturers we have that now are being surrounded by residential development. They are having issues with noise production and smells and essentially almost being pushed to actually relocate. They have may have been there for 20 or more years. When they built the premises and shifted in they were essentially in farmland with nothing to be seen anywhere, and with the growth that we have had they are now surrounded and having restrictions. We have one food manufacturer that now has restricted hours on when trucks can deliver. It is a 24-hour factory, and they have restrictions on when trucks can come and go, which makes it hard for the business. They are distributing products nationally and internationally.

The CHAIR — Mr Dwyer, we have come to the end of our time together. It has been really interesting, in terms of what you had to say. I have to congratulate you and the Plenty Food Group on what you have achieved. It sounds like a great success story, and we are very interested in the information that you have provided for us today. It might come about that we require some follow-up discussions with you. That would be through the agency of our executive officer, Nathan Bunt. Because time is short today, we have to keep to our strict timing here, but it might come about that we want to talk to you further. Are you amenable to that proposition?

Mr DWYER — I certainly am.

The CHAIR — It would be in an informal setting. Thanks very much for your contribution today.

Mr DWYER — Thank you very much for the opportunity.

Witness withdrew.