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13 January 2012

Mr John Rouw
Project Officer Mergers and Adjudication Group
Australian Competition & Consumer Commission
360 Elizabeth Street
MELBOURNE VIC 3000

Dear John

ACCC Authorisation – Australian Processing Tomato Growers

We have set out our comments below for consideration.

Introduction

By way of background, Simplot Australia Pty Ltd (**Simplot**) is a wholly owned subsidiary of the JR Simplot Company, a privately owned food and agribusiness corporation based in Boise, Idaho. The Head Office for Simplot is in Melbourne, Victoria. Simplot commenced operations in 1995 when the JR Simplot Company acquired some of Australia's favorite food brands including Leggo's, John West, Birds Eye and Harvest, among others.

Simplot is a strong supporter of Australian manufacturing with a number of plants in Australia, employing approximately 3,000 people and indirectly many more. Simplot is a strong supporter of the farming community in Australia which includes manufacturing plants in Victoria, Tasmania and NSW. Simplot processes approximately 300,000 tonnes of raw vegetables and potatoes that are grown for us each year.

Simplot is a significant purchaser of tomato products from Cedenco, currently purchasing on or around 90 per cent of our volume from the Australian producer. The products purchased are used at our Echuca and Pakenham plant in the production of value added sauces, meals and pizzas. These products are produced under brands like Leggo's and Harvest, as well as being used in a range of canned meals and fresh chilled pastas, sauces and chilled pizza and meals. It is obviously in Simplot's best interest (and for Australian manufacturing and industry generally) to have a world competitive industry from which to buy and source raw materials locally.

It is not Simplot's intention to comment on the merits of the proposed collective arrangement for the parties to this arrangement or generally for business. However,



The Home
of Australia's
Favourite Food
Brands

Simplot considers it important to highlight the current conditions in the Australian industry, in the aim that it might highlight issues affecting growers, processors, food manufacturers and the viability of the industry.

Tomato pricing

The Australian market price for processed tomato product needs to be competitive at a world factory gate price point.

It currently is not.

There are currently 29,000 tonnes of tomato imports coming into Australia each year. The challenge for growers and processors alike is to find a way of taking significant cost out of the current process so as to be in a position to target the 29,000 tonnes of tomato imports, while protecting their current volumes. The imports can be viewed as a growth opportunity for the growers, processor and companies like Simplot.

Food manufacturing customers like Simplot are continually faced with pressure to purchase competitive raw materials. The landed cost of imported paste, puree and diced tomato, and the imperative to remain competitive in the Australian market place, is forcing Simplot and others to view the imports as a viable alternative. Clearly, some manufacturers and traders import more than others.

In short, it is already cheaper to purchase and deliver product into our Echuca and Pakenham plants from the USA or China, than it is to purchase product from Cedenco whose processing plant is physically adjacent to our Echuca plant where we produce our branded products.

Import trends

In a normal year, Simplot imports less than 10 per cent of its tomato products from overseas, striving to minimise imports and focus on local products.

However, this will need to be significantly reviewed if the price of processed tomato is to increase or a plan to reduce the cost is not instigated.

There needs to be a concerted effort to reduce the overall cost of processed tomato, while providing the grower and the processor with a profitable return on their investment.

If this can be done, then there are significant opportunities to grow the volume of product produced and purchased in Australia and, in the case of Simplot, start to target part of the 29,000 tonnes of tomato imports that are currently coming into Australia every year.

Relevant considerations

Without examining all options available in this forum, Simplot considers that the affected parties need to assess how to reduce harvesting, farming and processing costs, and focus on a short term reduction in cost that will underpin the long term profitability of the tomato growing and processing industry.

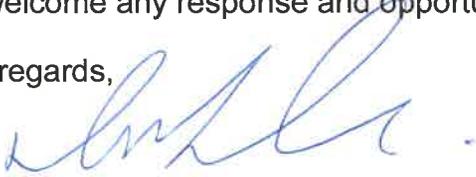
Conclusions

As noted, there are currently 29,000 tonnes of tomato products imported into Australia each year. This should be viewed as a significant “growth opportunity” to redress this import imbalance for all in the industry.

However, Simplot considers that, if the industry does not become world competitive within the next twelve to eighteen months, instead of these imported product levels decreasing, they will likely increase significantly. This is a situation which Simplot does not perceive to be beneficial for or in the best long term interests of all affected parties.

We welcome any response and opportunity to talk further on this issue.

Kind regards,



Neil Herman

Supply Manager

Simplot Australia Pty Ltd

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