

The canned tomatoes war and the conspiracy against consumers

OPINION

By Chris Berg

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The long and dirty fight over tariffs and the importation of Italian canned tomatoes came to a head last week, and reveals why our "anti-dumping" laws are used to simply raise the prices of basic commodities to protect private profit, writes Chris Berg.

On Thursday last week the Turnbull Government announced it was going to impose tariffs on two brands of imported Italian canned tomatoes - Feger and La Doria.

There's a long and dirty backstory here, which I'll relate in a moment. But first things first.

In his press release announcing the new tariff, Industry Minister Christopher Pyne declared a "win for Australian tomato growers and producers" who could not compete against the cheaper Italian imports. Notice who is missing? What about tomato consumers? The bulk of the Australian population is now forced to pay more than they otherwise might have for this basic kitchen staple.

Yes, this is the basic calculation of protectionism and has been for centuries, but it's worth pausing to consider how terrible it is: the Government is forcing up the price of food on everyone to support a tiny industrial minority and their shareholders. Needless to say, raising the cost of canned goods at the bottom end of the price schedule disproportionately affects the poor.

So why have they done this? The Government's Anti-Dumping Commission believes that Feger and La Doria have been "dumping" canned tomatoes in Australia at a price below their normal value. You can read the commission's final report.

The commission concludes that the market for tomatoes is highly price sensitive and that Feger and La Doria have "caused injury" to local producers by suppressing the competitive price. But this, you might fairly object, is exactly how market competition is supposed to work.

The theory underpinning anti-dumping regulation is pretty simple. The fear is that a foreign producer might pour cheap goods into the Australian market below the cost of production. Unable to compete against loss-making products, Australian firms will go out of business. Then once those Australian firms are kaput, the importer jacks prices up, and reaps "predatory" profits.

This is an entirely theoretical concern. No obvious example of any firm pulling such a Machiavellian manoeuvre exists.

Indeed, the canned tomatoes market shows why. Once the scheming importer starts charging high prices they are themselves vulnerable to being undercut by competitors. Even if Australian tomato producers were unable to quickly return to the market, other importers could swoop in.

Thursday's decision is the denouement of a legal war against canned tomato imports waged for more than two decades. In 1992 the then-anti-dumping authority imposed tariffs on Italian, Thai and Spanish canned tomatoes at the behest of the local industry. These tariffs only expired in 2007.

SPCA then launched an anti-dumping complaint in June 2013. In April 2014 the commission decided that every Italian tomato importer was dumping - except for Feger and La Doria, whose dumping margins (the difference between "normal" price and price charged in Australia) were calculated by the commission to be below the minimal threshold for action.

SPCA waited a few months, then launched *another* complaint specifically targeted at Feger and La Doria. After more than a year of debate about what constitutes a normal Italian market price, the commission found in SPCA's favour.



PHOTO: SPCA has done everything to make canned tomatoes not a contest of economics but a contest of politics. (Charlie McKillop)

(It's worth noting that the fact that there are many Italian companies importing tomatoes into Australia, each with different price structures, makes the theoretical fears of predatory dumping more than a little ridiculous.)

While doing all of this, SPCA also convinced the Government to launch a Productivity Commission investigation into whether "safeguard" tariffs - emergency tariffs designed to protect domestic producers against sudden surges in foreign imports - could be slapped on Italian canned tomatoes. The PC found that no surge had occurred.

Then over the summer of 2013-14, SPCA campaigned for a bailout package from the Federal Government. You'll remember the political fight that ensued. The young Abbott government refused SPCA a bailout, but in the end the prematurely aging Victorian Napthine government was happy to supply one.

As this suggests, SPCA has done everything to make canned tomatoes not a contest of economics but a contest of politics. Anti-dumping law is supposed to prevent predatory business practices. But who is the predator here? A diverse range of Italian firms? Or the Australian company moving mountains to raise prices on consumers?

Two claims by SPCA and their supporters in the press need to be addressed. The first is that Italian canned tomato producers unfairly benefit from the European Union's agricultural subsidies. This is undoubtedly true, but it is really unfair to EU taxpayers, who are in effect subsidising Australian consumers.

The second claim is that Italian producers are paying migrant workers less than the minimum wage and are connected in some way to the mafia. It's easy to see the shadow of a public relations campaign. Even if the allegations are true, foreign labour standards have nothing to do with whether canned tomatoes are being dumped in Australia.

In a 2010 report, the Productivity Commission argued that anti-dumping regulation ought to be subject to a "public interest" test. This would at least allow for the interest that consumers have in cheap imported goods to be considered.

The fact that no public interest test has been introduced is revealing. Australia's anti-dumping regime is a conspiracy against consumers, using the law to raise the prices of basic commodities to protect private profit.

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